AUG. 26
1933

BUSINESS WEEK

BUSINESS INDICATOR
75
70
65
60
55
50
Week ago
Year ago

Business Outlook
See page 1

BLUE PENNANT SHIP — The cutter meets the Rex after her record-breaking trip winning all Atlantic honors.

NRA
U.S.
WE DO OUR PART

McGRAW-HILL PUBLISHING COMPANY, INC.

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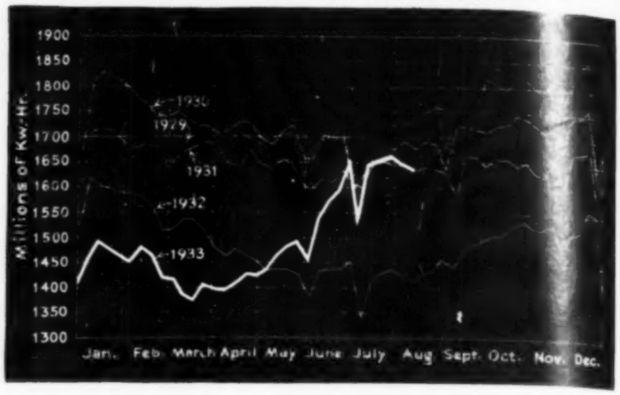
The electrical industry is selling its way
OUT and UP

OUTPUT OF CENTRAL STATION POWER PLA[NTS]



In the face of a reduced lighting load at this season, compared with winter, the electric light and power companies are shooting up to output comparable with three years ago . . . with accent on the POWER. 1932 and 1931 are being passed in the upward swing.

The governing body of the central station industry—the Edison Electric Institute—held its annual convention in Chicago a few weeks ago.

EXCERPT: **"It (the industry) cannot stand still under the agitation for rate reductions and THE ONLY WAY THAT RATE REDUCTIONS ARE PRACTICABLE IS THROUGH SELLING MORE ENERGY."**

Need it be asked who's doing the selling . . . and need it be asked who'll do the buying (of generating and distribution equipment) once this broad central station selling program pushes the output curve through 1929 levels? It is now within 1% of 1930.

Central Station executives, always sales minded, are acutely so today for acute reasons.

Central Station engineers faced with vastly increased domestic load, are acutely interested in future capacity —now that the industrial load is stepping up.

Both are receptive.

Electrical World is their paper.

Industry's wheels (electrically driven) are turning over—

SALES **for motors and control equipment.**

Industry's ovens (electrically heated) are warming up—

SALES **for heating appliances and heating equipment.**

Industry's late-day and early morning shift (electrically lighted) is shifting from lethargy—

SALES **for modern illumination equipment.**

Sudsy spots (electrically cooled) are being legally patronized—

SALES **for lighting display, cooling, refrigeration.**

Retail establishments as well as show houses (electrically cooled) enjoying increased patronage due to temperature control—

SALES **for air conditioning, fans, refrigerators.**

Factories (electrically operated) are feeling first flushes of demand—

SALES **for electrical helps in production costs.**

Public buildings, parks (electrically decorated) are sensing display value of modern illumination—

SALES **for flood lighting and control.**

Homes (electrically served) are buying more electrical conveniences—

SALES **for ranges, water heaters, refrigerators, appliances.**

All building load—fast.

All creating capital expenditures—fast.

ELECTRICAL WORLD

ESTABLISHED 1874

330 West 42nd Street, New York

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This Business Week

Now comes the final week of Eagle Month, unless the blue bird stretches his wings beyond Labor Day. National broadcasts and local drives will wind the enlistment campaign with all the noise and color we Americans must use to make up our minds.

This drive, greatest since the war days, is all too likely to loose the furies of local patriotism. Experience has already shown that the Blue Eagle, temperate enough in Washington, reverts to type when he spies the lone sheep, black or white, which has not followed the leader.

Meanwhile, as noted here last week, action against those merchants and manufacturers who broke their agreement with the President is being withheld, to be applied suddenly later, presumably. First, you enlist your army, then you start your discipline.

General Johnson's distinction between the patronage of NRA supporters and the boycott of the others is somewhat ecclesiastic; the line is drawn so fine it can hardly be seen with the very human eye.

The General, incidentally, is not to be pushed around by publicity. To stories that he was quitting, he replies, "I expect to stay on this job until my work is finished." That seems to be that.

Standard Oil of Indiana has put code wages and hours into effect without waiting for the oil code deadline. Results make a neat example of how the whole business should work out. Wage payments (and purchasing power) at Standard refineries are up 13%. Sales department codification added 600 new men, boosted the payroll $650,000 a year. As a by-product, expansion of office forces made necessary an expenditure of $1,100 per office for typewriters, comptometers, furniture, and other equipment for the new workers.

NRA and AAA, to define a farm worker, draw the line where he becomes an industrial worker under NRA and PRA (or Ma and Pa, as they might be called). He's an "agricultural worker" under PRA, can sweat and be sweated 24 hours a day. But when he goes into the canning factory, say, he becomes an industrial worker, does 40 to 48 hours a week, gets paid by the hour. Only 48 hours' work leaves him with plenty of time for labor on the farm.

"I don't think commercial banking is operating in this country, anyway," says the General in discussing the bankers' part in financing the lag in the upswing. He thinks it's due to holdover timidity, has plans to push them, but doubts if they really can be pushed. Figures they can be lured by increasing confidence.

Plans now shaping to push and promote 2 billions of bonds of the Home Owners' Loan Corp. sound like part of the answer to easier bank credit. Certainly to thaw out a big block of frozen mortgages in bank portfolios ought to be a big help.

Business Week's casual reference to these as government securities drew letters from sticklers for literal accuracy. They aren't government bonds; the government guarantees only the interest. Now it appears it also (1) will accept them at the Treasury at par as collateral against government deposits, (2) at Postal Savings at market price, (3) will lend R.F.C. funds up to 80% of their face. And it will do anything else necessary to make them favorite investments.

It seems to be an Administration principle that production must be controlled if prices are to be set. Hence, the ploughing up of cotton, the broad powers given the President in the oil code, and the birth control plan for hogs.

Big fly in the union ointment is reluctance of prospects to cough up heavy dues when cash is so scarce and the government is going to fix hours, wages, and working conditions, anyway.

Compensation for those who have been injured or who have contracted illness while serving in the Civilian Conservation Corps is being agitated. The first step is expected to be the organization of a "Forest Legion"—a national association of all those who served in the forest army. Next, pensions, pork, preference, and all the other things asked by all veterans?

Dr. Willard L. Thorp, the 34-year-old Amherst economist just made director of the Bureau of Foreign and Domestic Commerce, subscribes to the President's belief that domestic commerce should be restored first; after that, we may think about foreign markets.

Plans for assisting domestic business center around statistical service, analysis of trends, the supplying of basic information to the business world.

The Business Outlook

Major industries rapidly are becoming codified. That clears up uncertainties that recently have slowed up forward commitments. The test of how it all will work lies just ahead. Wages and farm income are rising, along with costs, but public works lag far behind expectations. It is true that returns from 37 states show awards 44% ahead of July—but July wasn't so good. . . . Fragmentary statistics from department stores indicate that some of the newly created buying power is making itself felt. Stores with slim stocks are having trouble. Shoppers are demanding wider selections, better quality, tired of years of scrimping. . . . Steel mills think orders will pick up again in September. The steel code, by the way, starts a new era in marketing. Shopping for concessions is "out." Detroit papers please copy. . . . Little steel has been bought for new models of motor cars; assembly of present models will go on for a few weeks, at a reduced pace. . . . Coal and electric power production are rising again; total carloadings increase as coal and grain ride the rails. Miscellaneous loadings declined for the fourth consecutive week. . . . Residential building is relaxing its early enthusiasm as fall approaches and as construction costs mount. . . . Commodity prices are recovering from recent shocks. . . . Cost of living rose 3% in July. . . . And the government begins buying hogs.

BUSINESS WEEK

AUGUST 26, 1933

Public Works

Protests pour into Washington that nothing has been spent yet for wages or materials, though allotments now reach $1 billion. Public vs. private wages under NRA perplex construction industry.

WASHINGTON — Allotments by the Public Works Administration now run to a large figure—$1,196,721,389—but virtually no money has been spent for wages or material as yet.

Most of the big federal projects on which the Ickes board concentrated at first necessarily require time to get under way. The close check on the $400-million road program has delayed advertisement of bids; 67 contracts had been awarded to Aug. 21 and 465 projects have been specifically approved, but these account for only $32,368,453, or 8% of the total available.

The organization set up for handling selection of local projects is still stiff. Persistent reports of continued friction between Secretary Ickes and Budget Director Douglas on allotment of funds for local projects must be given some credence. Publicity from the Public Works Administration has been mostly ballyhoo; practically the entire construction program is still on paper today. There are several legitimate reasons for deliberation, but protests against the delay are pouring into Washington as the end of the construction season approaches in Northern states.

State engineers and advisory boards are reported to be studying hundreds of projects with a view to speeding their recommendations to Washington. Secretary Ickes promised this week that many non-federal projects now under consideration by the Administration will be approved soon. "Speed has been the watchword," said Secretary Ickes, "but the Public Works Administration is determined there shall be no misuse of the funds, no waste, no extravagance."

Allotments made by the Public Works Board during the past week include a $7,200,000 grant and a loan of $37,000,000 for the New York tri-borough bridge; $11,527,499 for 29 post-offices and other federal buildings. Tentative approval was given to loans totaling $9,620,000 for housing projects in Queens Borough, N. Y., Brooklyn, Boston, Philadelphia and Hutchinson, Kan. Cleveland's ambition to become the "housing laboratory" of the nation has been dashed. It is reported that a 100% loan was requested for every one of the Cleveland projects. This is contrary to the board's policy of advancing only 85% unless the applicant is a state housing authority.

Because of its effect on the private construction industry and ultimately upon the market for construction, the minimum wage agreement entered into by the Public Works Board with the organized building trades unions is of far more eventual significance than the fate of the public works program itself.

The building trades department of the American Federation of Labor has not yet revealed whether it will insist that the minimum rates paid on construction financed by public works funds be written into the construction industry's code, but M. J. McDonough, president of the Building Trades Council of A. F. of L., states that "we anticipate no worse conditions from private contractors than we would from the government."

Expected to Spread

That the Public Works Administration hopes the rates established will have widespread application is evident in Secretary Ickes' statement that "the wage rates determined for building construction should bring about a stabilized condition in the construction industry."

The wage schedule adopted by the Public Works Board fixes minimum rates for both skilled and unskilled labor, but does not define what constitutes either. It is understood the board deliberately avoided any attempt at definition. This would seem to indicate the desirability of including a definition of skilled labor in the contractors' code drafted by the Construction League. That code refers only to white collar labor and unskilled labor,

Keystone

PUBLIC WORKS PLANNERS—First meeting of the public works administration's national planning board, created to aid Secretary Ickes in developing a comprehensive scheme. Left to right, Dr. Wesley Mitchell, professor of economics at Columbia; Frederic A. Delano, chairman; Charles W. Eliot, 2nd, executive officer; Prof. Charles E. Merriam, of the University of Chicago.

and fixes the minimum rate of the latter at 40¢ an hour.

The Ickes board agreement with the unions does stipulate that helpers and apprentices shall not be termed unskilled laborers. This would put their minimum wage somewhere between the two figures specified for the several zones: Southern, skilled $1, unskilled 40¢; Central, skilled $1.10, unskilled 45¢; Northern, skilled $1.20, unskilled 50¢, provided that if higher rates prescribed by collective agreements between union labor and employers prevailed April 30 last in any district of a zone, such rates shall be paid on all projects financed by public works funds.

Officially, it is still an open question whether the minimum rates specified by the Public Works Board will apply to road contracts. The decision forecast is that state highway departments may elect to adopt such rates but will not be required to do so. The NIRA specifically provides that the state highway departments fix predetermined minimum rates for skilled and unskilled labor on road work.

Acme

MOTORS CODE—Donaldson Brown, vice-president and chairman of the finance committee of General Motors, speaks in favor of the automobile code at the hearing.

Deflation

Shrinkage in bank deposits in 6 months is $10 billions; mortality among banks, 5,439. The tides of recovery must be powerful to sweep over such a dam.

DEPOSITS in banks in the United States Aug. 12 were $31.7 billions. They were $42.6 billions Dec. 31, 1932. Bank credit has been deflated $10 billions in 6 months. The shrinkage in the 3 years from the crash in the fall of 1929 until the end of 1932 was $14 billions. Total bank deflation, then, is $24 billions, 40% of it in the last 6 months.

This is the picture revealed by the first official statistics since the bank holiday. It is drawn from the report of the Comptroller of the Currency, and from the Treasury statement of condition as of Aug. 12, both just issued.

Casualty List

The Treasury report shows 4,961 licensed national banks; the Comptroller's figure as of June 30 was 4,902; 59 banks, therefore, were reopened during the 6 weeks. The rise in deposits was $200 millions—from $16.7 billions reported by the Comptroller to $16.9 billions on Aug. 12. Federal Reserve report showed 6,816 national banks Dec. 31, 1932; now there are 4,961 licensed; the difference is 1,855, representing the number of national banks closed, merged, or operating under restrictions. Restricted national banks June 30 were 985; it is probable that the 59 licensed since are to be deducted from that figure, though some of the 59 opened in the 6 weeks may be new institutions. Net mortality thus would be some 925 banks. Deposits in closed or restricted national banks, $2 billions.

Of the shrinkage in deposits, $1.7 billions was in national banks. State member banks declined in number from 805 to 740, non-member state banks from 10,980 to 8,250. There were, in all, 18,390 banks in the United States Dec. 31, 1932; 13,951 licensed on Aug. 12—mortality, 4,439, almost 24%.

Economists point out that these figures are both encouraging and depressing. To put the encouraging first, it is astounding that the country has been able to make unmistakable strides toward recovery in the face of this terrific destruction of its principal medium of exchange. It is argued the current of recovery must be powerful, indeed, to spill over such a dam.

The depressing aspect of the situation is the obvious one—that the administration has done so little toward releasing a mass purchasing power which dwarfs by comparison the public works program, and compares in magnitude with, if it does not quite equal, the utmost that might be accomplished under the inflationary powers entrusted by Congress to the President.

One of these powers, by the way, would make it possible for him to issue currency against the assets of banks. To thaw a considerable proportion of the frozen deposits in some such manner would release money which, experience shows, has unusually high velocity.

New and interesting in the Comptroller's report is the appearance of Class A ($51 millions) and Class B ($2.8 millions) preferred stock outstanding by national banks in addition to $1.5 billions common stock, $941 millions surplus, $236 millions undivided profits and $167 millions contingent reserves. Preferred stocks are new in the commercial banking world; they represent, of course, R.F.C. financing.

Pickup in Lumber

Lumber buying and production are up, stocks are down. Retailers' orders are still speculative.

LUMBER consumption continues to improve. September prospects are markedly better than last year. This is the forecast of the Lumber Survey Committee of the U. S. Timber Conservation Board, reported in August to Secretary of Commerce Roper.

Other significant conclusions: Compared with 1932 the first half of this year showed new business 20% greater, shipments 4% greater, production 5% greater, stocks as of July 1 at lumber mills 1.35 billion feet less. Aggregate stocks are still 2.8 billion above desired levels; but shortages of certain items in some areas suggest the urgent need of exchanges of stocks between manufacturers to avoid needless production of items in surplus for the industry as a whole.

Buying for Stock

Recent mill business, though comparatively heavy, came largely from retailers buying from stock, not for ultimate consumption. Inventories have increased in anticipation of price advances and hoped for, but as yet largely unrealized, consumer demand. Retail yard stocks increased 13% in June.

Price trend has been upward for some time, with a June index of 67.4 (Bureau of Labor Statistics, using 1926 as 100) compared with 59.6 in May and 55.5 the low of last August. "Many contend that the recent price advances at mills have been too rapid, and that they will discourage buying."

Ratio of unfilled orders to gross stocks on hand July 1 this year is much higher than for some time past.

Labor Starts a New Chapter

NRA's Labor Board has already gone a long way toward clearing the recovery program of dangerous labor issues and making mediation a permanent thing.

STRANGE things are happening in the world of labor as a result of the swinging into action of the National Labor Board, appointed by President Roosevelt, headed by Dr. Leo Wolman, designed to prevent strikes and labor troubles by eliminating the causes thereof. Hailed as a great day for human relations, questioned by veteran labor leaders as of questionable value if the strike weapon was removed, the new board has gone steadily forward, headed by a sound realist, profiting by much of the experience of the past.

The elections of employee representatives held in Reading, Pa.—secret, free from labor or company influence—staved off a threatened repetition of the hosiery strike, extended to other local factories. In Philadelphia the opportunity to settle the ancient question of the "representativeness" of the company union also had a friendly reception in both industrial and labor circles. The garment strike in New York, the impending strike in Hollywood, the walkout (and walk back pending the hearing Aug. 29 by the National Labor Board in Washington) on the big bridge across the Mississippi at New Orleans—all have marked a gradual increase of power by the National Labor Board. Meanwhile, Dr. Wolman, calm, noncommittal, realistic, smokes his pipe and sees dreams of a lifetime coming true—as so many strange dreams have been coming true in the workings of the vast engine of NRA.

These things have happened: (1) The labor "business agent" who ran the old labor elections gives way to the impartial representative of the National Labor Board—and, so far, able men have been chosen for these jobs. (2) The hoary precedent of the A. F. of L., that local questions should be settled locally, has been shattered; for the first time in history the A. F. of L. recognizes 2 labor unions in the garment trades in New York, by sitting down with Sidney Hillman's "Amalgamated," and the question of jurisdiction which loomed most threateningly in Hollywood has been laid on the doorstep of the federation. (3) The steel and coal labor problems, left high in the sky by the withdrawal of the steel code provision for the "open shop," will come to a decision, when the time arrives, in the offices of the National Labor Board. (4) Labor's charge of company interference in the choice of national or company union affiliations ceases to be an issue in face of the secret ballot.

Wide World

STRIKE SETTLED—New York's striking garment workers provided the first test for the NRA. Alfred W. Lasher (left), chairman, National Dress Manufacturing Association, shakes hands with David Dubinsky (right), president, National Ladies Garment Workers Union. Grover Whalen (center) acted as mediator.

Gen. Johnson Speaks Up

General Johnson has himself felt the pressure of this force. He has produced the long-awaited official interpretation of famous Article 7 (a) of NIRA's labor section. The Labor Board succeeded in getting this pledge of clarity on NRA labor policies where advisers and economists failed.

Speaking before the crowded press conference in sunny, stifling Room 2062 of the Commerce building early in the week in the unheralded presence of Donald Richberg, NRA chief counsel, labor spokesman and militant defender of Article 7 (a), the General said:

"Some clarifying statement has got to come out of this Administration about the labor sections of the Act. I am not going to let others interpret our attitude." And in answer to a question as to whether "others" meant industry or members of NRA, he replied succinctly, "Anybody."

When the promised statement came on Wednesday night over the joint signatures of Johnson and Richberg, it said in substance: Read the law. The words "open shop" and "closed shop" are not in the law and cannot be written into it—or into any code. Employees can choose anybody they desire to represent them or can represent themselves. If they choose a company union, President Green of the A. F. of L. must take it and like it; employers need no protection in their codes. If the choice is dictated by employer-coercion, the law can't, and NRA won't, take it. If the choice is disputed, the Labor Board stands ready to investigate and conduct a secret ballot.

Both Sides Get Something

Labor is reassured and unorganized industries get what they wanted—official notice to their employees that NRA has made no change in the "union issue," official contradiction of the organizers' claims that it has brought the government to their support.

Meanwhile, however, labor issues were of overwhelming importance in the big codes which passed through the mill this week. Steel had withdrawn its open shop proviso at the hearing a fortnight earlier, but the code as finally passed actually revised downward the rate for labor in the South, and the excitement which followed the appearance of William Green, president of the A. F. of L., at the steel industry's meeting to discuss hours and wages with

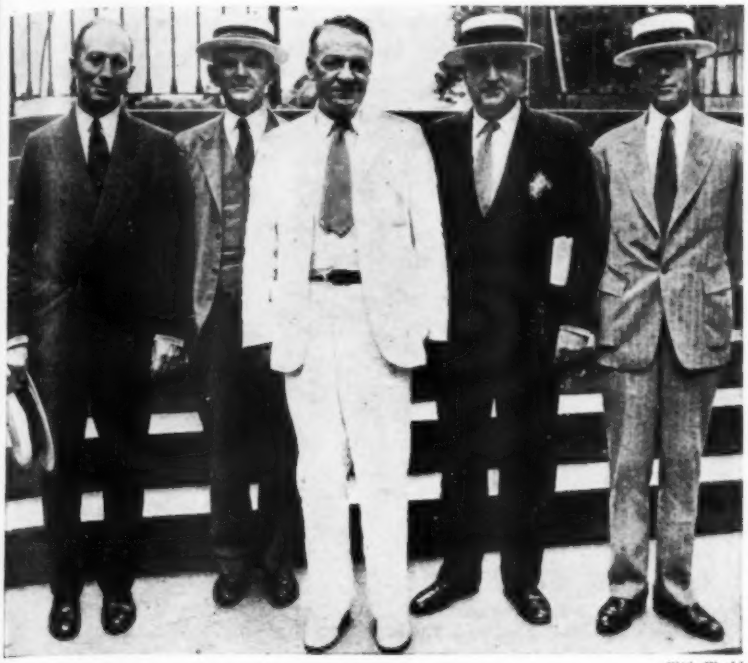
Secretary of Labor Frances Perkins, indicated that serenity was far from the minds of the steel leaders. Automobile men found it wise to vary, on the eve of the hearing the wording of their labor clause from "propose" to continue the open shop policy to "may" continue —and found that change thrown out by NRA's new ruling.

Henry Ford's holding back from joining in the automobile code was freely attributed to his determination not to bow his head beneath the yoke of unionization. Coal's battle over the union was fierce and bitter. The petroleum code, where labor provisions were made secondary, still watched its minimum wages carefully, set up differentials between various regions that, while slight, bore certain signs of digging in for the campaign. The lumber code, thousands of words long, alone met the labor issue face-on. Drawn up in its full detail by Dr. W. W. Cumberland of NRA, it met the problems of the apprehensive South with a wage that will keep its negroes at work—but not too prosperous to keep regular hours—and satisfied the other sponsors to the point of staging a big code jollification.

NIRA Scoreboard

Industry codes that have been made effective through the President's signature

No.	Industry	Name of Organization	Maximum Hours	Minimum Wages	Limits Production	Stops Below-Cost Selling	Other Important Features
1	Cotton Textile	Cotton-Textile Institute	40	$12 South $13 North	To 80 machine hrs. weekly	Yes	Limits extension of "stretch-out" system. Establishes National Industrial Relations Board and State boards to settle disputes, etc.
2	Shipbuilding & Shiprepairing	National Council of American Shipbuilders N. Y. & N. J. Dry Dock Assn.	36	35c. South 45c. North		Yes	Declares rebates, refunds, unearned allowances unfair competition. Provides for arbitration of existing contracts. Establishes a 32-hour maximum week on government contract work.
3	Electrical Manufacturing	Nat. Electrical Mfrs. Assn.	36	40c.		Yes	Provides for uniform accounting methods for annual statements. Subdivisions may wherever possible establish the "open price" plan of operation under specified supervision.
4	Apparel—Coats & Suits	Amer. Cloak & Suit Mfrs. Assn. Industrial Council of Cloak, Suit & Shirt Mfrs. Merchants Ladies' Garment Assn.	35	$14 and special schedules for various operators		Yes	Early reestablishment of insurance fund. N.R.A. label in garments, creates the C.&S. Authority, carries provisions aimed at the eventual elimination of sweatshops.
5	Wool Textile	Nat. Assn. of Wool Mfrs.	40	$13 South $14 North	Specified machines to 80 hrs. weekly	No	Stretch-out limits as prevailing July 1'33. Periodical reports on employment, payroll, costs, production, machinery, raw materials, contract adjustments.
6	Corset & Brassiere	Corset & Brassiere Assn. of America	40	$14		Yes	Invoices to carry guarantee of compliance with code. Establishes a code authority. Limts advertising allowances, display materials, demonstrators, returns, datings, discounts; eliminates consignment or memorandum "sales." Provides for standard cost accounting, price ranges, packaging, N.R.A. label.
7	Lace	American Lace Mfrs. Assn.	40	$13	Procedure on machine-hrs. & new machines	Yes	Periodical reports on employment, payroll, machine-hours. Service bureau on uniform accounting, engineering, credit. Contract adjustment.
8	Theaters, Legitimate	Representing 10 groups	40	$25 actors $30 chorus		No	Higher salaries based on box-office price of tickets. Carry-over pay during rehearsal period. Establishes National Legit. Theater Committee.
9	Photographic Material	By 10 manufacturers	40	$14		No	Creates a code committee. Optional reports on employment and payroll.
10	Fishing Tackle	Associated Fishing Tackle Mfrs.	40	$14		Yes	Standard cost accounting. Condemns combination sales with cut prices. Establishes code committee.
11	Steel	American Iron & Steel Institute	40	25c. to 40c. per hr.	Prohibits certain new capacity	Yes	Establishes board of directors of Institute as code authority. Provides for very specific reports and statistics. Creates 21 wage districts, specfies "basing points" for 32 groups of products. Prescribes procedure on prices, terms, discounts, sales agreements and penalties for violations. 13 classes of unfair practices are enumerated.
12	Lumber	National Lumber Mfrs. Assn. And concurred in by 45 other trade associations	40-48	23c. to 45c. per hr.	Yes	Yes	Establishes a "Lumber Code Authority." Provides procedure for control of production, power to establish minimum prices, to establish grading. Rules of fair trade practice to be established with cooperation of N.R.A. Branding of products and regulation of production by permit.
13	Oil	American Petroleum Institute and others	40-48	45c. to 52c. per hr.	Yes		Price control placed in the hands of the President for 90 days with provisions for synchronization between crude oil and gasoline prices. Development of new fields only by President's approval. Quotas within states left to state control.



Wide World

ABOUT THE COAL CODE—The Recovery Administrator takes some coal executives to the White House in the struggle to make a code for the soft coal operators. Left to right, R. E. Taggart, Big Stone Coal Co., W. Va.; J. D. Francis, Island Creek Co., W. Va.; General Johnson; Charles O'Neill, Pittsburgh Coal Co.; J. D. A. Morrow, president, Pittsburgh Coal Co.

NRA Passes Crisis

As the Big Five industries get codes, or get close to them, prodded by plain Presidential talk, the boldness of the plan and its emphasis on social aspects grow clearer.

A NOTABLE new code was written for the lumber industry, a workable compromise was put into actual form for the steel industry, petroleum got a code that satisfied none but was acceptable to nearly all, coal saw its ancient problems classified and dominated after fifty years, the automobile manufacturers found themselves within sight of a Blue Eagle for their industry (save always the individualistic Mr. Ford), the retail stores moved deliberately into the front line with the other great codes—all in one crowded seven days. A great crisis of the recovery plan has been passed. Such is the record on the surface. How was it accomplished and what does it mean?

First, it means that President Roosevelt has "taken leadership" once more. His influence has been paramount and obvious. Second, it means that the much pilloried "planless planners" of NRA have produced in the lumber code a model "constitution of industry," perhaps a landmark in history. Third, it means that NRA (and Mr. Roosevelt) have accepted to a far-reaching degree the responsibility of detailed administration of at least one great industry (petroleum). Fourth, that the long arm of NRA has reached boldly into the field of local business, and that it will not withdraw therefrom. Fifth, that price fixing has been touched, caressed, taken to NRA's bosom.

Nights and days of conference and compromise went into the solutions that were reached in the hectic week. Whatever were outward appearances, the problems faced were primarily of labor and labor's control. The battle was to give as much as could be given, to meet new conditions of industry and of living and the new philosophy of economics of the New Deal, and still to maintain control of industry's ancient rights.

Stories of firm and undecorated words of the President, and of General Johnson, float about Washington; many of them unquestionably are true. Industry, as represented by the various "keystones of the industrial arch," was told what to do, was informed that the government was going to take things very much into its own hands if business was stubborn. The threat of "imposed" codes, even licensing, was freely passed, by inference at least. It was a notable game of baccarat (not poker, for only one man dealt) with all the good cards pretty well concentrated in the dealer's box.

From the first skirmishes over the "big codes" the Administration has insisted its primary job was to "educate industry to a new conception of social values," its secondary (and almost parallel) task to produce real cooperation where this had never existed before. The rights of industry and capital, the Administration felt, would be adequately looked out for by industry itself, bolstered up by the post-war years of uninterrupted and increasing economic and social power. This attitude has come out forcibly in the long negotiations over the big codes, and insistence on the wage and employment provisions has become ever clearer in every important hearing.

An Apochryphal Anecdote

There is a story that President Roosevelt told the coal operators, "You do not appear to realize that we are living in a new age, that the government is going to see this thing through, and that cooperation will be had, whether willing or unwilling." The anecdote is probably apochryphal, but it sets the picture.

The big codes have emerged from the grinding of the mills of NRA with many industry difficulties met. Lumber has been given a price control arrangement and an apparently workable allocation plan (both on mathematical formulae), and a magnificent unity of action with regard to forestry preservation by having the buyer of lumber pay a small bit toward replacing the timber he uses. And this last may be marked up in the future as one of the notable achievements of NRA's lively history.

Roosevelt Bosses Oil

The oil industry has obtained its czar, none other than the President of the United States himself, who can fix base prices. The setup of his assistants indicates that the Bureau of Mines and the Department of the Interior will be the ultimate authority in matters of detail; suggestions that recent resignations of high oil officials in order to be eligible for the czarship are temporarily quieted.

Steel forms for itself a code authority, with the Administrator for Industrial Recovery as one member, and two appointed by him in addition to the steel men chosen. Indeed, this principle of the code authority, now well established in all other approved codes, appears in the other "big codes" which passed through the mill during this biggest week of NRA history.

Which all suggests that the mills of NRA grind not so slowly, and they grind exceeding small.

Lumber's Omnibus

Code signed by lumber industry has everything—including teeth.

CONTRASTED with the 50-odd-page document finally approved by President Roosevelt as the Code of Fair Competition for the Lumber and Timber Products Industries, the slim 10-page draft originally submitted by the industry itself looks like an amateurish attempt to gain a specified objective. Still more important, the difference in volume provides a fairly justified comparison between what the industry went after and what it came away with. While the first was a code, containing some revolutionary and far-reaching provisions, the approved draft is somewhat of a complete corpus juris, wholly in keeping with its first line which avows that "this is an undertaking in industrial self-government."

The inevitable provisions covering hours and wages of labor recognize the difference in operating conditions, not only geographically but in relation to the kind of lumber involved.

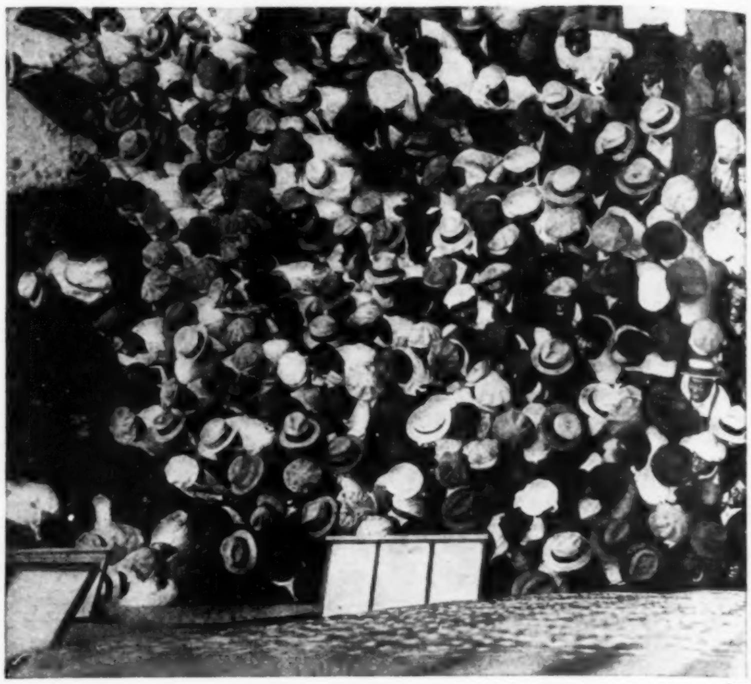
However, it is in the sections covering control of production, cost "protection," and rules of fair trade practices, that the lumber code builders did a monumental job.

The provisions covering control of production establish an ingenious system of quotas, arrived at by a process that takes into account such complicated factors as average hourly production, greatest yearly production, greatest average number of employees for any 3 calendar years since 1924; proportion of taxes paid by quota-applicant to total paid in that division, and proportion of reserve standing timber owned or controlled by applicant to total represented in that division.

Authority Fixes Prices

Cost "protection" is provided through the power of the newly created "Lumber Code Authority" to fix minimum prices f.o.b. mill. In the cost of production must be figured a wide range of factors, including association and code fees, selling charges, interest, amortization and depreciation, discounts, losses on bad accounts, and a yet-to-be-determined amount to cover the cost of reforestation "up to the amount estimated by the Authority to be necessary to reproduce the equivalent of the timber converted."

The fair practice rules, among other things, carefully define the various classes of buyers, prescribe the procedure governing sales, prohibit the giving of discounts different from or larger than those filed with the authority, and limit commission sales personnel for manufacturers and wholesalers to one man for each kind of lumber in each territory.



Acme

JOBS HERE—5,000 men stormed the Government Fuel Yard Garage in Washington to apply for common labor jobs. They need not read or write, but must be able to tote a 125-lb. sack.

Coal on the Fire

Labor problems, regional rivalries, outside competition made coal code "the pineapple of them all."

"MANANA" was the slogan of bituminous codemakers at Washington this week as they moved toward that final, single code. Working feverishly against a movable deadline, NRA officials struggled to find a formula for merging 29 separate codes into a single document which would be reasonably acceptable to the various groups that paraded before the administration at the public hearings 2 weeks ago. In the meantime, sponsors for the 29 varieties, hastily summoned to the capital August 18 with the expectation of passing judgment on a code of NRA authorship, after 2 brief general meetings, spent most of their time in hotel rooms waiting for calls to meet NRA officials singly and in small groups for conference purposes.

Pressure for the speedy action that set 4 different deadlines apparently originated at the White House. Delay in meeting each new "final" date was the result of a growing appreciation on the part of NRA of the complexities of the soft-coal situation. The pressure was accentuated by fears that the labor unrest which manifested itself in the recent strikes in Pennsylvania would break out anew. Local strikes in non-union strongholds in Alabama and the southern West Virginia low-volatile area gave real substance to support these fears.

Wage differentials and hours of labor were, throughout the negotiations, the main stumbling blocks to speedy agreement on the single code which NRA demanded from the very first. Every producing district was a unit in opposing the 6-hour day proposed by the United Mine Workers. Although John L. Lewis, president of the United Mine Workers, had condemned the maintenance of wage differentials at the public hearings, he joined with the sponsors of the so-called "general" code in agreeing to a 5% differential under the Northern base rate for mines south of the Ohio River. This "concession" to tradition and sentiment, however, was far from satisfactory to the Southern group and was accepted by some of their Northern allies only as the price of companionate marriage between non-union operations on both sides of the river. But history-making conferences between non-union operators and United Mine Workers officials began to pave the way to an understanding on labor questions late in the week.

Another very real fear has been, and continues to be, the spectre of oil and natural-gas competition. These rivals for the national energy market already have made serious inroads upon coal. Bituminous operators declare that, unless oil and gas prices also are boosted, the higher wages will mean further losses in coal tonnage and increasing unemployment in the coal-mining regions. One large producer, for example, still faces the actual threat of seeing approximately one-tenth of his present output handed over to the Tioga gas field.

Still another lively question to the end of the negotiations—and this is one in which NRA showed considerable interest—was that of price control. The quota system with allocation of tonnages also entered into the thinking of some of the NRA advisers, and market-wise operators were kept busy pointing out the practical commercial pitfalls inherent in any attempt to cartelize American coal distribution beyond that already embodied in the district selling agency systems now operating in the southern Appalachian and northern Ohio fields.

In presenting its demand for a single code, NRA suggested district autonomy subject to a central control board or commission. The provision for labor mediation also entered the picture. But the working out of the details of such administrative agencies to a point where practical coal men could be convinced that the proposed agencies could adequately function did not add to the sleep quota of administration officials and their staffs.

Overlord for Oil

The President signs a code for the petroleum industry which puts it under government control.

LAST week the President signed a blank check on the petroleum industry. For the first time, he reversed the "normal" practice, if anything can be called normal in the present emergency, and promulgated a code before it was signed or even agreed upon by the industry itself.

He had, of course, good reason for the action. The industry itself could never agree on any code. It welcomed regulation from above, although the warring factions fought—and still fight—for the kind of regulation which would cripple the other side.

After several vain attempts to reach the summit, Moses Johnson finally came down from Capitol Hill bearing the tablets of the law, tablets untouched by the chisel in spots, thick with the marks of compromise in others.

Globe

WHAT ABOUT OIL?—Washington legmen chase Harry Sinclair to get his opinion on the oil code. "All that can be done to reconcile conflicting opinions," said Mr. Sinclair, moving off rapidly down the long corridor.

Oil gets its overlord in the person of the President of the United States, for a time at least. His will be the delicate and dirty work of laying down the law to an industry notoriously lawless. His is the power to prescribe prices and set production quotas, or not to do so, as he sees fit.

The price-fixing section is a compromise between the extremes of complete price adjustment and no regulation at all. It is frankly an experiment, concerns the base price of gasoline only, may be imposed for a test period of 90 days, at the discretion of the President, after which the President, also at his discretion, may revise the original formula.

More than that, he may "add such additional formulæ relative to the wholesaling and retailing of petroleum and its products in such a manner as in his opinion may be necessary to effectuate the purposes of the National Industrial Recovery Act." Which is broad enough to include just about everything.

Nominal State Control

Production control is nominally in the hands of the states, but withdrawals from storage, imports are subject to the approval of the Planning and Coordination Committee, and production is to balance consumer demand, as defined by a federal agency. The same agency, not yet named, will allocate production to the states, subject to Presidential approval. If production in any one state exceeds the quota, the President may regulate shipment out of the state "to the extent necessary to effectuate the purposes" of the NIRA, and/or he may compile quotas for pools within the state if the state does not do so itself. Enforcement rests on the interstate commerce authority. Which should be broad enough to satisfy General Johnson, who has maintained that price-fixing without production control was impossible.

The code as signed makes no reference to the controversial subjects of pipeline divorce and lease-and-agency practices. It includes the many merchandising fair-practice provisions of its predecessors.

Those in the industry who wanted the government to step in certainly got what they asked for.

Steel Makes Good

The wise old steel industry has plucked from the fire of the code hearings a Blue Eagle that looks strangely like the phoenix consumed in the flames of the anti-trust laws.

THE steel industry went to Washington with a code, chock full of provisions that could be used as chips in the quaint old game called poker. It has come away with a signed, sealed, and delivered declaration of independence and constitution in its pocket, and with only a few white chips missing.

Those who are inclined to ask, why all the fireworks, what of the reported battles of mental giants, recalcitrant "steel barons," threatening labor leaders, impending Presidential decrees, all the beating of battle drums and fanfares of trumpets that were part of the news while the game was in progress, probably will never have their curiosity satisfied. Nor will it ever be known whether the victory was achieved because austere Robert P. Lamont, president of the American Iron and Steel Institute, managed the show in a manner that would make a Belasco jealous, or simply because his broadsides carried the greater weight of evidence. Fact is that history of the NIRA era, when, if, and as written, will have to record that the steel code, as signed by the President, is the steel code, 99 and 44/100% as the industry drafted it.

Teaching the Youngsters

Another fact: the steel code, as approved, contains innumerable provisions which might well serve as models for other, younger, less sophisticated industries. The steel industry was old when many others now struggling with NIRA code problems were in their swaddling clothes, or perhaps unborn. It has had its skirmishes with the anti-trust laws, with labor organizations, welfare societies, and what not. When it went a-code-building, it mustered all its experience, its talent, and the far-sighted vision of its leaders to do the job justice. The code shows it.

Observers who followed the steel code hearings called the withdrawal of the "open shop-company union" clause (Article IV, Sec. 2) and the qualifying Schedule C a master stroke in showmanship. It invested the industry with a metaphorical olive branch and placed the sword in the hands of labor leaders. They also pointed out that the steel men's withdrawal from a conference when William Green, president of the American Federation of Labor, attempted to sit in, was not an idle gesture but an emphatic demonstration of steel's belief that under NIRA there is just no place for any A. F. of L. because no less an authority than the United States government has assumed the responsibility of getting a square deal for labor. Therefore, while the original open-shop clause is out of the code, a new clause (Article VI, Section 7) is in, which gives the government wide powers of investigation of all manner of things, but specifies that the persons delegated by the Administration to investigate and propose new methods or measures "shall be persons not having or representing interests antagonistic to the interests of members of the industry."

Wage Clauses Unchanged

Provisions covering minimum wages remain substantially as originally proposed for the 21 wage districts, call for 25¢ an hour in the Southern district, 27¢ in the Birmingham area, and run from these points up to 40¢ highest minimum, scheduled for 7 out of 21 districts. The 40-hour week becomes standard for the industry, with a maximum of 48 hours for any one week permitted as long as the average of 40 hours prevails over 3-month periods.

Aside from the fact that the gates of the steel mills remain open to all workers, the importance of the steel code as an historic document can be best measured by the significance of the provisions on prices, terms, unfair trade practices, and particularly of the contents of Schedules E, F, G, and H. Obviously the steel industry has taken the President's statement that "we are relaxing some of the anti-trust laws" seriously for it has established interesting rulings on minimum prices, procedure on bidding, definite basing points, and, in recognition of the growing tendency toward truck transportation, has set up necessary safeguards to prevent price chiselers from taking refuge behind allowances of transportation charges.

Similarly the code specifies that only by the affirmative vote of three-fourths of the whole board of the Steel Institute will a member be permitted to sell or contract to sell at a base price that is less than the published base price—if that be found in the interest of the industry and "will not tend to defeat the policy of Title 1 of the NIRA by making possible the using or employing of an unfair practice."

Consignment Selling Is Out

Manufacturers of certain steel products who have managed to maintain a satisfactory degree of price stability through consignment of stocks may regret that the plan is doomed under the code, but they'll probably find solace in provisions that, in true Capper-Kelly style, propose to control resale prices. It is provided that whenever a concern can fulfill the other stipulated rigid requirements the Institute member proposing to sell to it "shall secure from such jobber or other purchaser an agreement substantially in a form theretofore approved . . . whereby such jobber or other purchaser shall agree with such member (a) that such jobber or other purchaser will not, without the approval of the Board of Directors, sell such product to any third party at a price which at the time of sale thereof shall be less than the price at which such member might at that time sell such product to such third party."

Proponents of repeal of the anti-trust laws claim that approval of the steel code constitutes a long step in their direction. They point particularly to the provision for a fine of $10 a ton for violations of the code and recall that on several occasions during the trust-law era whole groups of manufacturers stood for weeks and months in the shadow of the federal penitentiary, because they had collectively tried to bring price cutters and unfair competitors into line by imposing fines for chiseling.

"Codified" Contracts

The new deal on labor costs calls for a new deal on pre-NIRA contracts. Some industries have set up ingenious adjustment machinery; others forgot.

CONTROVERSY over the adjustment of prices stipulated in pre-NIRA contracts for purchases by government departments (*BW—Aug12'33*) is still going on in many industries where codes are resulting in substantial increases in production costs. The same questions arise in the case of private contracts signed prior to the signing of codes that boost costs.

Either forgetting or underestimating the possible effect of code-compliance upon their costs and thus upon their ability to fulfill existing contracts at a profit or at least without loss, some industries have neglected to include in their codes standard methods of procedure in contract adjustment. Many had their attention focussed upon the

problem for the first time when they read Paragraph 12 of the President's Reemployment Agreement. This provides that "where before June 16, 1933, the undersigned has contracted to purchase goods at a fixed price for delivery during the period of this agreement, the undersigned will make an appropriate adjustment of said fixed price to meet any increase in cost caused by the seller having signed this PRA or having become bound by any code of fair competition approved by the President." With important industries now actually operating under NIRA codes and over 60 bound by modified PRA agreements, many manufacturers and suppliers are scanning their contract files with anxiety.

Cotton Puzzles

In the cotton textile industry, first to go under a code, the question of equitable adjustment of existing contracts has become so serious that several textile groups have created special committees to seek a way out of trouble. For instance, a committee of the Association of Cotton Textile Merchants of New York, in cooperation with a committee from the Textile Fabrics Association, has promulgated a set of standard practices for the adjustment of contracts and has issued tables showing the amount of differential that should be paid on the various classes of goods because of code cost-boosting. These tables provide an excellent measure of the price increase resulting from the increased wages paid by this industry. For instance 70"x80" cotton blankets cost 20½c more, men's weight heavy corduroy jumps 11¾c per yard, 90"x 108" bleached bed sheets are up $3.29 a dozen.

Manufacturers of underwear have arranged with their wholesalers and distributors for a specified surcharge on goods delivered under existing contracts. The National Wholesale Dry Goods Association has appointed 8 committees to handle the question of contract adjustments for the various commodity groups. The National Association of Purchasing Agents has recognized the seriousness of the situation and advised its members to "agree to revision only when the increase in cost has been made known and agreed upon."

Examples of Foresight

Meanwhile, a number of important industries have foreseen the coming difficulty and covered the situation through suitable provisions in the fair practice codes.

In the code of the construction industry, where commitments involving huge sums of money are made from blueprint only, Paragraph 9 provides that "In the event that any buyer subject to this code shall have contracted before June 16, 1933, to purchase goods, structures, or parts thereof at a fixed price for delivery during the President's Reemployment Agreement, he shall make an appropriate adjustment of said price to meet any increase in cost to the seller caused by the seller's having signed the PRA or having become bound by any code of fair competition."

Concise Clause

Students of code activities cite the contract provision of the code drafted for the manufacturing branch of the aeronautical industry because of its brevity and concise language. "Where prior to the effective date of this code, any member of this code has contracted to purchase or supply articles, materials, and/or services at a fixed price to be delivered during the period of this code, an appropriate adjustment of such fixed price will be made to equal any increase in cost, caused by operation of NIRA."

In some industries the adjustment of existing contracts is complicated through the necessary addition of the processing tax. For instance, cotton textile merchants face a processing tax that averages 4.2c per pound of raw material and are trying to adjust old contracts to cover this while including in new contracts a clause covering not only that item but also increases or decreases due to AAA or NRA.

In the canning industry the efforts of AAA co-administrator, Charles J. Brand, for an adjustment of the price paid to the growers of tomatoes have resulted in the consent of canners and manufacturers of tomato products to pay growers 25% more than the prices stipulated in existing contracts.

International

NOW TO GET THE MONEY—The Bridge Authority for the Tri-borough Bridge, New York, figures out ways to get the means, the $44 millions set aside by the Public Works Administration. Left to right, John Stratton O'Leary, George Gordon Battle, F. C. Lemmerman, George A. Coombs, Jr.

No R.R. NRA

Rail workers would like to use the NRA to gain their 6-hour day.

NOWHERE does it appear in the railroad brotherhoods' petition to put their bosses under NIRA that what they really want is a 6-hour day. But that's what we're after, said A. F. Whitney, chairman of the railway labor executives committee, following the audition at the White House. Included as signers are the engineers and conductors, who have not previously committed themselves to the move for the shorter day.

President Roosevelt had no hesitation in stating that the railroads can't be put under NIRA. They have a law of their own—the Adamson Law which stipulates that 8 hours shall be the measure or standard of a day's work. But it is entirely proper, in the President's opinion, to apply NIRA principles to railroading and he forthwith referred the matter to Joseph B. Eastman, Railroad Coordinator. That perplexed official said he has no authority to pin the Eagle's wings on the railroads.

There the matter rests, with everybody wondering what Donald Richberg, NRA's chief counsel and rail labor attorney, has up his sleeve.

Automotive Air Conditioning

Complete cooling, heating, and humidity control for motor vehicles is on the way.

WE go to air-conditioned theaters, eat in air-conditioned restaurants, ride on air-conditioned trains. Many of us are working in air-conditioned offices for the first time, this summer. Soon we'll be living in air-conditioned homes—and touring around in air-conditioned automobiles.

The last is a dream already embodied in an experimental car demonstrated this week. Looking like any other Packard limousine, it roved the streets of Manhattan with the windows tight shut and the occupants obviously cool, untroubled by humidity or traffic fumes.

Application of the air conditioning idea to automobiles is largely the work of one John Allston Sargent, son of Allston Sargent, president of Campbell Metal Window Corp., American Radiator affiliate.

Sales Point for Cabs, Buses

Naturally interested in air conditioning (his father's company makes room coolers, window silencers, filters) he got to wondering why automobiles shouldn't be made comfortable the year round. He envisioned taxicabs prowling the avenues enticingly labelled, "Cooled Cab," just as they were labelled "Heated Cabs." He saw buses of the not-so-distant future combating the competition of the revivified railroads with increased comfort; he believed even private cars in the upper brackets could just as well provide their owners with the proper atmosphere.

So one of the elder Sargent's cars was borrowed, and the boys in the shop went to work on it. The result was a completely air-conditioned car, with the interior cooled in summer and heated in winter, and with inside humidity made to fit the comfort zone.

Easy to Install

An automobile interior is a tight little room, its windows and doors fit (or they rattle so loud they call attention to their looseness), and so it takes no great refrigerating capacity to cool such a small space. In the Sargent job, fresh air is sucked in through twin ducts underneath the car, one on each side, then filtered, passed through the usual conditioning process, and blown into the car.

The whole apparatus could be put into one of those oversized suitcases and a handbag. It may be slung beneath the floorboards, with a grill like an old-fashioned register in the floor, or, in the case of limousines and sedans, the heating and cooling coils may be placed behind and under the front seat.

The refrigerating compressor is air-cooled; it and the fans are powered by a generator driven off the engine through an arrangement which permits the proper speed regardless of the speed of the car. Conditioning is just as good while the car is parked as at top speed. Heating is done with the engine water, millions of hot-water heaters having already proved their worth.

The cost, while not definite, would not be too great if the unit were built in production. The Sargents think it could be done for $150, maybe less. Which isn't so much when you think of it in terms of cars costing $2,000 and up, and in terms of the people who buy such personal transportation. Automobile radios cost as much when they first came out, and one tire for a big bus costs almost as much even at present prices.

As in the larger realms of the air-conditioning industry, commercial applications are the immediate possibility. Buses, taxis, limousine renting services may take up the idea sooner than might be expected in a slower moving day. And the fully-streamlined private car of the future will have to be air-conditioned to keep its exterior smooth and unbroken by open windows, to keep its interior quiet at high speed.

JOHN R. TURNEY—Coordinator Eastman's aid who is investigating what shippers want from the railroads.

R.R. Air Conditioning

The public likes to travel cool and clean; more cars are being equipped for its comfort.

AIR-CONDITIONED trains, once so startling in contrast to station platforms in New York, Philadelphia, and Washington that travelers talked about them, have become an accepted fact. The novelty has worn off among those who travel regularly, but the reservations continue strong.

Baltimore & Ohio, pioneer among the conditioners, reports increased traffic all along the line. This road, first to pre-cool cars, first to completely condition diners, and later the whole train, finds that air-conditioning is reflected in traffic.

Hot weather and the Chicago Fair have combined to break many travel records on this line. Uppers as well as lowers are sold in refrigerated sleeping-cars. This at a time when porters seldom make up an upper on many roads. One train, Chicago bound, carried 247 passengers in its 10 cars, smashed a record for regular trains on regular runs.

B.&O. uses the York equipment, developed cooperatively with the railroad, which cools, washes, and controls the humidity of the air automatically. Cars are being equipped as fast as the shops can turn them out.

The Pennsylvania, rival of the Willard road to Philadelphia, Washington, and Chicago, is heeding the call for more comfort. Its through trains, now all electric to Philadelphia, have been pre-cooled for some time. Now, the whole fleet of hourly trains to Philadelphia is being cooled, if not completely conditioned, by ice bunkered beneath the cars. All the 250-odd coaches, diners, parlor-lounge and parlor cars on this run are being converted for cooling.

The 12 daily trains to Washington are also completely cooled, and there are cooled coaches, diners, and Pullmans on other runs.

Awning Comeback

G-E, looking into air conditioning, finds the old awning aids the new cooling machines.

COMPANIES which make and distribute window awnings appear to have overlooked the potentialities of their market. Awnings are installed to shade sunny

windows but their benefit has always been open to argument. Along comes the General Electric Co. to prove that awnings are highly effective in cooling rooms. It even reduces the temperature reduction to precise scientific figures which should add pulling power to advertisements or to the vocabularies of salesmen.

G-E found awning research to be a part of experiments it was conducting on air conditioning equipment. Tests showed that awnings reduced the cooling load (hence the operating expense) on conditioners by large percentages, ranging from 10% for complete homes to 36% for individual rooms. In a particular house it was shown that solar radiation through windows accounted for 16% of the total heat gain for the interior. Used on south windows alone, awnings reduced the heat gain of a room by 19%.

Textile World points out the promotion possibilities of the G-E survey. Millions of windows are unshielded, awnings are inexpensive. There is now an unanswerable retort to the old objection that "awnings do no good because they keep out the breeze."

Tell Mr. Eastman

Coordinator starts his survey of how the railroads can make a profit by finding out what shippers want. He expects to end by finding out just where each carrier best fits into a coordinated transportation scheme.

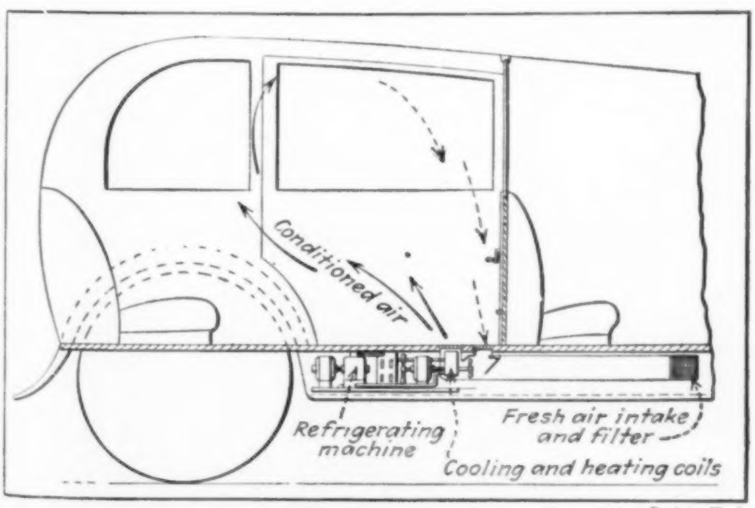
NOTICE to 100,000 shippers: Please tell Mr. Eastman why you use trucks. The Railroad Coordinator wants this information so that he can help the railroads to put in more efficient and attractive service on less-than-carload and package freight. Mr. Eastman also would like to know what you don't like about truck service. The questionnaire that the Coordinator's office is sending out is the first step in a nationwide market survey of transportation and will be followed by others.

Besides service requirements, the survey of merchandise traffic will include an investigation of the volume handled by railroad, express, freight forwarders, and parcel post, a critical analysis of the methods used and experiments that have been made with truck equipment such as skids, lift trucks, containers, automotive rail trucks and interchangeable rail-and-road equipment. A carload traffic survey will give particular attention to terminal problems. A third survey will search for methods by which rail passenger business can be built up on an economical basis. The popular appeal of rail, bus, and plane travel will be measured as an approach to coordinating operations for rendering flexible and attractive service.

The "merchandising" of railroad transportation will be dealt with in still another survey. An analysis will be made of how the traffic organizations of representative roads do their job and how well the common or joint agencies function. Rate-making and tariff-publishing procedure will be checked to find means of simplification that will reduce the expense to carriers and render the maze more intelligible to shippers. Methods of soliciting traffic and advertising policies will be scrutinized to discover whether advertising can be substituted for direct sales efforts to a larger extent. Finally, the need and prospects of market research and development by the railroads individually and cooperatively will be explored. In these surveys, advisory committees of rail executives and shippers will work with Mr. Eastman's staff.

Will Serve All Interests

Eastman's objective is, frankly, to help the railroads improve their methods of handling and charging for freight and passenger service. This is the purpose of the law which dubbed him "Coordinator." He has tackled the job with a sympathetic, not a captious attitude. This free thinking critic of the railroads now will be called "pro-railroad." To the extent that the ways and means discovered by his organization to rejuvenate the railroads are adopted by them, his activities may impinge upon functions preempted by truck and bus operators. In the final analysis, however, nothing can oust the agency that is best adapted to perform a particular service profitably. Operations of railroads, buses, trucks outside what proves to be their economic sphere will not survive. The railroads now are trying to enlarge their sphere and Eastman is helping them but he has not lost sight of the coordination of the service of each within its field as the objective.



AIR CONDITIONING FOR AUTOMOBILES—Refrigerating machine, motors, and coils are slung beneath the floorboards in this preliminary sketch. Air is filtered, warmed or cooled and the humidity adjusted before passing into the car.

Recovery Bath

New buying power is reflected in bathroom modernization.

APPRECIATION of beauty in bathroom fixtures and investment in multiple bathroom facilities are among our peculiar national traits. The slump curbed indulgence in this appetite but did not blunt its force. Now that buying power reappears, makers of bathroom supplies are enjoying the benefit. The Plumbing and Heating Industries Bureau, Chicago, reveals that twice as many bathrooms were modernized during the first 6 months of 1933 as in the same period last year. The first half of 1933 piled up sales of 1,022,071 vitreous china plumbing fixture items.

Market saturation is a long way off. The bureau estimates a need of 9 million new bathrooms in city and farm homes. Also 15 million bathrooms could be modernized. The Washington Administration beams on activities in these lines. Besides increasing employment they elevate living standards.

Shall We Sell Gold?

Mining industry wants to keep gold at home but get world price. Alas, it is no everyday commodity.

TWENTY-FIVE thousand recently unemployed persons who are "panning" gold for a living in the West, and a majority of the "big" gold mining interests in this country are not accepting placidly the decree that their gold can reach the world market only through a middleman—just now, Canada.

From the time the President placed an embargo on gold last spring, miners have been waiting for a ruling which would allow them to sell their production on the world market. It came in a half-hearted way early this month when the Attorney-General ruled that gold amalgam and gold concentrate might be shipped out of the country. This meant refining elsewhere.

Canada seemed the natural market for this unrefined gold, as there are extensive refineries across the border and because Canada, as the second great world producer, has sold steadily on the world market though, since Canadian currency abandoned the gold standard, there have been certain restrictions. One of the restrictions decreed by Ottawa is that all gold produced in the Dominion be turned over to the Royal mint. After it is converted to bullion, it is handed to the Department of Finance and disposed of in the most advantageous market, usually London. Then, after the expense of refining, transporting, and selling has been deducted, the amount secured for the gold is paid to the producer. Canada, in this way, has the first chance of securing the gold for the treasury, has full control over the gold bullion on which the country's currency is based, and still gives the producers the advantages of selling in the world market at the prevailing price.

Gold from the United States will come under these same regulations if it is to be refined in Canada and pass on to the world market.

Here is where the protest arises from the little United States "panner" and the big miner alike. A foreign agent controls the marketing of their product. Employment for the refining and selling of the gold is given to foreigners.

The gold industry is presenting some very sound arguments for keeping refining business at home—if you are considering gold as just one more commodity. But gold is still the material which backs the dollar and, despite all the talk of devaluation, there has as yet been no official ruling that there will be fewer than 23.22 grains of gold "backing" each dollar, and that, by simple multiplication, an ounce of gold must be worth just $20.67. Washington is saying that, for appearances' sake, gold cannot for the present be handled officially by Washington at the current world rate of something more than $29 an ounce. But, if possible, the industry must not be retarded. Too bad to give the refining job to outsiders, but it is temporarily "expedient."

Holbran

CAMERA SNAKE—Much of the reptile leather now used in women's shoes never saw a snake. It is made by a photographic process in which a full color film is pressed into the fibre of calfskin. The same Tarso process is used to reproduce inlaid wood for radio sets, marble for soda fountains, costly wood veneers for panelled walls. Leather, wood, glass, metal, are among the base materials on which the pattern film is pressed with heat, without glue or backing.

Sales Tax Rebellion

Illinois' attempt to collect "occupational" tax from utilities promises another court battle.

ILLINOIS' 3% sales tax, revised as a 2% "retailers' occupational tax" and otherwise changed after a losing battle in the courts with Illinois' iron-bound constitution (*BW—May24'33*) will probably have to see the judge again. The State Department of Finance has ruled that private or municipal utilities providing electricity, water, and gas are deemed to be selling tangible property at retail and hence subject to the tax. George A. Ranney, vice-chairman of Commonwealth Edison Co., Peoples Gas, Light & Coke Co., and Public Service Co. of Northern Illinois, estimates that, under this ruling, his companies would have to pay $2.5 millions a year or more than 5% of the total amount that Governor Horner expects to collect from the tax. And he adds that it's high time that the courts decided this issue of the tangibility of utility service.

Also involved in the power companies' case is the question of whether it is equitable to collect the tax from them since they cannot pass it on to the consumer without awaiting favorable termination of what are sure to be protracted hearings before the Illinois Commerce Commission. The utilities are already smarting under the non-transferable federal power tax.

The constitutionality of the occupational tax will not be at issue in the forthcoming legal actions. This has already been upheld in a test case brought before the Circuit Court of Sangamon County with appeal to be heard by the State Supreme Court in the fall.

● The victors in this battle are men with singleness of purpose...Men who concentrate their attack on *one* key objective. They recognize the new economic code which prevails in America today... That most purchases are made with the consent of the *entire family*... To reach this united family and tap its buying resources they know their advertising must appear in media of interest to every member of that group. They put The American Magazine first!

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has the American family been such a unit — thinking, acting, purchasing together.

There are many types of media which appeal effectively to the individuals who compose this unit...The American Magazine is the *one* magazine in which an advertiser can logically appeal to 1,800,000 families—mothers, fathers, sons and daughters—as a group.

This magazine is definitely edited for their *united* entertainment.

That's why the strategists of 1933 are placing The American Magazine first on their lists. They agree it's less expensive, less wasteful to make a *concentrated* attack on the family as a whole than to attempt many appeals to highly specialized groups.

Magazine

ll the family

THE CROWELL PUBLISHING COMPANY

NEW YORK

More Buying Power

July employment was 7.2% higher, payrolls rose 7.9%, but food costs have increased 8 1-3% and sales are rising only at rate of 3% to 5%.

OVERTOPPING all other news in importance are the July figures on employment coming from the Bureau of Labor Statistics which show an employment gain of 7.2% over June and an increase of 7.9% in payrolls. The report covers 18,000 factories distributed among 89 industries employing 3 million workers with wages of $54.5 millions a week. Since last March employment has increased 22%, payrolls almost 40%. This means not only additional people employed, but that those already employed have been working a longer week and, in some cases, at higher rates.

Figures from the Department of Labor do not lend themselves readily to estimates of the total increase of employment in the United States. On a conservative basis it is calculated that, if the figures given for the 18,000 factories hold good with certain corrections for the groups of enterprises not included in these statistics, 400,000 people went back to work during July and possibly as many more in the preceding 3 months.

July's Tribulations

The July figures are the more significant because seasonally there is a decrease during that month in consequence of inventory taking, repair, and the Fourth of July holiday. The average percentage of decrease in employment during June and July during the past 10 years has been 2.2%, in payrolls 5.4%. But this year 77 out of the 89 industries reported increases in number of wage earners over the month interval, and 71 reported increases in weekly payroll totals, thus revealing the wide front along which recovery has taken place. The 12 industries showing decreases in employment were those that ordinarily report seasonal declines at this time such as the silverware, women's clothing, and millinery industries—and 5 were less than 1%.

New York State reports the fourth successive monthly increase in employment and wage payments. The gain in employment was 4.2%; in factory payrolls, 6%. Upstate centers showed better gains than New York City.

Special significance attaches to these reports because they are of the pre-NRA era. The recovery program was not really in effect when these astounding gains were being made. Reports from NRA headquarters indicate that these gains will, at least, hold in August. From Cincinnati, come preliminary figures on employment increases attributed to the action of NRA codes showing that approximately 15% more persons were employed in the third week in August than on July 31. In New York, 46 concerns report 23,209 additional since Aug. 1.

Relief Needs Diminish

Additional evidence of the improved condition of the worker comes from the Emergency Relief Administration which shows that for the country as a whole about 500,000 fewer families required aid in June than during May. In all, 3,700,000 families, or about 15 million persons, were helped in June against 4,200,000 families or nearly 17 million persons in May. The report has been attacked in some quarters as reflecting greater inability to help on the part of municipal, state and federal governments rather than less need of help. But, even if the charge is partially true, there can be no question but that the demand for relief is subsiding.

Primarily the Administration faces the problem of keeping a balance between wages and prices, between industrial production and consumption. Gratifying as the increase in employment figures is, additional figures coming to light indicate that retail food prices went up 8⅓% throughout the country in July, against the payroll gain of only 7.9%. Partially offsetting the increase in food prices, however, there has been a lower rate of increase in other items in the cost of living. The July increase in that cost is now figured at 3.3%. But the U. S. Department of Labor's index of wholesale commodities is 6% higher in July than in June.

More Discrepancies

There is a still greater lag of employment behind production. For example, the July gain in employment is less impressive when compared with that 112% increase in automobile output—the greatest pickup in the industry's history. A study of retail sales figures raises further questions. Reports of 12 big New York department stores for the first 2 weeks in August show a sales increase of 5% over those of the corresponding period of 1932. It will be recalled (*BW—Aug19'33*) that July department store sales all over the country were almost 3% higher than in June, when adjusted on a seasonal basis, and that New York did not participate in the gain. Though gratifying, the increase in retail sales is at a slower tempo than that in production.

During the next few months, it will be necessary to stimulate consumer purchasing further in order to fill the widened gap between operating expenses and operating income. Excellent second-quarter earnings statements have put many industries in a favorable position to hold out against an adverse balance. Nevertheless, a sharp increase in prices is inevitable unless a large volume develops. And volume will be largely dependent upon continued increases in wages and payrolls.

Acme

FIRST HOME LOAN—Mr. and Mrs. John P. Flanagan, of Schuylkill, Pa., are handed the papers protecting their home by Jacob H. Mays, manager of the Pennsylvania agency of the Home Owners' Loan Corp.

Wide Reading

THE NATIONAL INDUSTRIAL RECOVERY ACT. Milton Handler. *American Bar Association Journal,* August. Excellent summary of the statute, with special consideration of legal background and of its constitutionality. Executives will want to study this analysis.

THE FEDERAL SECURITIES ACT. *Fortune.* August. Meaning of the Act, and how it can operate. Business background leading up to the new law.

THE DRIVE FOR SPOILS. Mauritz A. Hallgren. *Nation,* August 23. Who's been getting the spoils under the Democrats—and some who haven't.

ITALIAN OBSERVATIONS ON ELECTRIC RAILROAD OPERATION. G. Bianchi. *Electrical World,* Aug. 12. Experience over 19 years affords data to warrant further extensions of Italian electrified railroads.

COMMERCIAL AVIATION IN CHINA. *China Weekly Review* (Shanghai), July 22. Current status of commercial aviation in China. Significant because of the U. S. capital, equipment, and personnel involved.

IS THERE A TREND TOWARD COLOR AND ROTOGRAVURE? *Sales Management,* Aug. 15. The roto markets—where they are, what they cost, who is currently using them. Table of papers using rotogravure, with circulation figures.

TEXTILE CODES. *Textile World,* August. The status of the major textile codes; reactions; results which, everything considered, are beneficial.

BRIBERY OF LEGISLATURES BY THE 42% LOAN SHARKS. Robert Morris. *Plain Talk,* August. What various states have done to curb exorbitant demands of small loan companies.

BOOKS

BUSINESS UNDER THE RECOVERY ACT. Lawrence Valenstein and E. B. Weiss. Whittlesey House, 314 pp., $250. On the theory that business must and will rally to the support of the NIRA because it is generally realized that "this governmental venture must succeed or the next step will involve the complete capitulation of capitalism," the authors predict that the plan "will, in time, achieve a remarkable degree of success." Includes a well conceived forecast of the probable effect upon the marketing phases of business.

THE TRANSPORTATION CRISIS. G. Lloyd Wilson. Sears, 334 pp., $2.50. Public interest demands adjustment of the services, charges and practices of each type of carrier to the field in which it is relatively most efficient under a comprehensive system of government regulation—and sensible coordination of all types. Familiar recommendations backed by a wealth of historical and statistical data.

INLAND TRANSPORTATION. Sidney L. Miller. McGraw-Hill, 822 pp., $4. Nowadays the "railroad problem" is largely shaped by outside factors arising from the new competition of the motor lines, the pipe lines, the airways, and the waterways. So Professor Miller has revised and extended his authoritative "Railway Transportation" to cover these and their bearing, with the railroads, on national transportation policy.

Word War

Mayonnaise and salad dressing, steel and steel-wood motor bodies are arguing in public.

WITH a flash of claims and counter-claims, makers of mayonnaise and salad dressing, steel automobile bodies and wood-and-steel bodies are skirmishing in print, to the slight bewilderment of the readers, and the great glee of the purveyors of white space.

On the food front, the fight between mayonnaise and salad dressing is not new, it is a smouldering grudge of long standing. Years ago, the government found it necessary to step in and define mayonnaise. It is this definition which is the background for the present merchandising squabble.

Mayonnaise, by federal edict, is a certain combination of eggs, oil, vinegar, and spices. Salad dressing, roughly speaking, is almost anything else that approximates mayonnaise in appearance, texture, and flavor, without meeting the standard of ingredients. Made with a fraction of the egg content, stretched with water, and thickened with corn starch or other cereal filler, it is perfectly pure, perfectly good, and considerably cheaper than true mayonnaise.

The current fracas began when Kraft introduced its Miracle Whip Salad Dressing with a burst of newspaper copy and the biggest radio programs ever known. It was featured as a creamy, appetizing covering for the lettuce and tomato doodads which pass for salads in our softening civilization. Copy was moderate, at first. Miracle Whip costs one-third less than mayonnaise. Some people prefer it. Later copy took on a more combative tone, Miracle Whip was headlined as "more delicious than mayonnaise."

The Great A. & P., which sells both salad dressing and mayonnaise, climbed into the salad bowl, featured the low cost, delicious flavor of its Rajah brand salad dressing.

Mayonnaise Fights Back

This was too much for the mayonnaise makers. Best Foods, Inc., one of the biggest, put on its government armor and sallied forth to defend its position on the table. Headlines began to explode, "Thousands come back to *real* mayonnaise." Diagrams titled "Why Salad Dressing costs one-third less" showed the ingredients, beginning with "a little mayonnaise," with "cereal fillers" and water added and cooked. "So-called salad dressings," the copy continues, "are merely mayonnaise to which 30% to 40% water and cereal fillers are added. No wonder thousands try them only once."

In previous battles, mayonnaise makers have been chiefly concerned with competition from an article which looked like mayonnaise, and was often sold as such, hence the official definition. Now, however, they are facing reputable manufacturers, making a perfectly good product and selling it (without publicizing the legal difference) on a frank economy basis, potent sales talk these days.

In the automobile body war are embroiled all three, as Mr. Chrysler says, of the big guns. Who started it is as difficult to discover as who or what started any war. Hidden for years in sales talks, it has only recently burst into print.

At automobile shows, in advertising, makers of steel bodies (since their improvement by better welding practice) have taken great delight in displaying pictures of cars with all-steel bodies rolling down hill or being walked on by nervous elephants. At the last show, General Motors, champion of the composite wood and steel body, took a hand.

Comely but not athletic young ladies gathered together little audiences of gapers and demonstrated how easy it was to break a steel tube alone, how hard with a wooden rod inside it.

Later, Mr. Ford, in his homely notes from Dearborn, remarked, "We used to mix wood and steel in our car bodies—until we learned better."

Chevrolet answered the international insult with a full-page blast entitled, "Steel alone is not enough," and continuing, "there is only one type of body construction which Chevrolet will permit on the chassis of the cars it builds: that's the type which every test and every experiment and every experience has proved to be the safest, strongest, and best. Not steel alone, because steel alone is not enough, but a Fisher body of steel reinforced with hardwood! The very same type of construction used on practically all the highest-priced cars in America. Steel has one distinct advantage: it's cheaper. Steel is strong, up to a certain point, but beyond that point will bend and crumple . . . hardwood reinforces the steel and is reinforced by the steel . . . the result: a steel plus hardwood body can withstand concussions that crush a body built of steel alone."

Chrysler Cuts In

Chrysler leapt into the fray with caustic comment to salesmen. "What Do They Mean, 'Steel Alone Is Not Enough'?" he asked his men to ask their prospects. " 'Steel alone is not enough,' " the bulletin went on. "What a shock to the engineers who designed the Plymouth, Dodge, DeSoto, and Chrysler bodies . . . who rolled these cars down mountainsides time after time . . . turned them over in ditches . . . loaded the tops with sandbags to wreck any body previously built . . . what a blow to the many, many people

Wide World

BIGGEST RAFT—Over a thousand feet long, 47 feet through, it took 300 tons of chain to tie the 10 million board feet in this lumber raft. It is being towed from Westport, Oregon, out to the Pacific and down to San Diego.

throughout the world who, after an accident, have attributed the fact that they are still alive to the steel body. Surely it can't be that these people are dead and don't know it!"

Then he gets definite and dirty: "This same [Chevrolet] ad brings up that old one about 'every 12-cylinder and 16-cylinder car in America' and 'every make of car selling for $4,000 and over' having bodies of 'steel reinforced by hardwood.' (Don't laugh.) Let's do a little arguing over this. Body dies are expensive . . . they may cost a half million dollars or more for one model. On this basis . . . if you made 100 bodies, they would cost $5,000 each for just the dies . . . Let's do some figuring . . . Pierce-Arrow registered, for the first 5 months of 1933, 130 12-cylinder cars; assuming that many will be registered in the balance of the year, Pierce-Arrow will register 260 12's. Now it is perfectly obvious that if Pierce-Arrow were to spend $500,000 for steel body dies, the cost per car for body dies only would be nearly $2,000."

In individual sales, Chevrolet, championing the steel-and-wood body, is way ahead. But the combination of Ford, Plymouth, and all the other small and medium car makers adds up to a respectable total. Call it a draw.

Fisherman's Luck

Sockeye seiners win the battle of the British Columbia canners.

SALMON canners of British Columbia are locked in a bitter price battle, with occasional interruptions to wonder what it's all about. Sockeye prices have jumped from the 40¢ agreed on at the beginning of the season to 65¢ after a 4-year slump in the course of which they have dropped as low as 25¢. While this year's pack threatens to run below the average for the last 5 years, a better reason for the shooting is seen in the increase in canneries since a policy of unrestricted licenses went into effect. The Fraser River district has seen a jump from 5 canneries 2 years ago to 11 competing for fish this year.

Fishermen enjoying the highest prices since pre-war days would celebrate more heartily except for the fact that the rise has tempted truckers to bring in American fish from Bellingham and other points across the border where prices are enough cheaper to make the invasion pay. Canners who have contracted with British customers on a 40¢ basis and have been watching low-priced Japanese and Russian competition have had no difficulty in getting the idea that there's something wrong about the present situation, but each also has an idea that he will be the lucky survivor, making it all right in the long run.

International

HOG PRICES—Secretary Wallace tells dirt farmers assembled at the Chicago World's Fair how the government is going to raise hog prices by buying off the young sows before they get a chance to overproduce.

AAA Deploys

Hog birth control, balancing butter production, collecting government debts from farmers, appeasing cotton goods manufacturers are some of the problems before the Agricultural Adjustment Administration.

SLAUGHTERING breeding sows, making a loan of $30 millions to protect the butter market, revising the evaporated milk agreement, revising the conversion factors for the processing tax on wheat, dealing with cotton mill representatives who want the processing tax revised, setting up machinery to administer land bank and emergency loans to farmers, and dealing with scores of problems involving the benefit payments for cotton option, land leasing, and the wheat allotment plan—the Agricultural Adjustment Administration is busy.

Hogs and butter are new commodities now under administration. Hog prices are to be raised and butter prices are to be maintained. Stabilization, such as came into ill-repute with the operations of the Federal Farm Board, is taboo. Price-raising or maintenance of prices is only to be thought of in connection with adjusting production. Young pigs or breeding sows will be sent to the regular markets, there marked and segregated. The sender will receive a premium of $2 to $4 cwt. There is to be taken from the fall market 600 to 700 million pounds of live pork and next year's market will have less pork by about 1.8 billion pounds. The marked pigs will be used for fertilizer or, if sent to packing houses, the product will be segregated and shipped out for distribution as unemployment relief. Such distribution is not to interfere with commercial flow of pork, and relief agencies will be warned to use this pork as supplemental rather than substitutional supplies. The premium fund will be raised by a processing tax on the pork sold through commercial channels.

A fund of $30 millions has been set up to be used by a dairy cooperative (not yet named) in order to maintain and increase the price of butter. Butter rose from 16¢ in February to 26¢ on July 7, but has dropped to 21¢. Funds to finance the plan are to be raised by the dairy industry itself, but, as a start, are to be loaned by the Department of Agriculture and repaid later by an assessment and processing tax of 1¢ on all forms of dairy products. The hitch in the plan so far is that no program has been presented to limit production of dairy products so that control of prices of butter, cheese, and other dairy commodities can be effected at the source.

Farmers are in Washington asking the Secretary of Agriculture to revise the evaporated milk agreement so that farmers' cooperatives will have some say in fixing prices for milk. The industry is there, too, asking for a code which it finds necessary because of inability to operate under the blanket code.

Cotton Orders Are Off

Representative Southern cotton textile manufacturers appeared in Washington during the week imploring Secretary Wallace to make some modification of the processing tax on cotton. They hoped he would reduce it, or at least graduate it—starting it, perhaps, at 1¢ Aug. 1, 2¢ Oct. 1, and so on until the maximum is reached. Their plea is based upon the assertion that mill orders have decreased sharply since the tax went into effect. Manufacturers contend that if the tax were applied more gradually, the market would adjust itself more smoothly.

The government has its own market experts, who know Worth Street quite as well as the mill men. They do not dispute the slackening in orders, but they say it isn't all processing tax, by any means. The principal reason for slack orders at the moment is that there had been a tremendous speculative buying movement for some time, and big stocks are somewhere between mill and wholesaler. Weaker prices for raw cotton, moreover, are no particular encouragement to forward commitments. If there is consumer resistance to higher prices for cotton goods, it has had no chance to show itself yet. It is true, however, that cotton textile prices have advanced faster than other commodities, and are out of line.

Upside Down Tax

It is interesting to notice that the print cloth men are leading the fight for modification of the administration of the tax, while it is the manufacturers of coarse yarns, heavy ducks, drills, denims who really are most affected. The processing tax is an "upside down" sales tax; being a tax per pound of cotton, its weight falls heaviest upon the coarsest materials, and it affects fine goods relatively little.

Wheat producers will get benefit payments even if they owe the government money, but cotton producers are out of luck. They will have to pay up their loans first. The difference is a legal one, based upon the fact that cotton plowed up was really a part of the security for the loans made by the Farm Credit Administration. Of course wheat

farmers will also be encouraged to pay up their debts, in fact the first repayment of $500 on a loan of $3,000 has now been made by Harry E. Brown, of Mt. Carmel, Ill. The Carmelite's action has caused jubilation in Farm Credit Administration headquarters and has been heralded throughout the country as an incentive to other farmers to go forth and do likewise.

The Farm Credit Administration also announced that direct loans to farmers will be made from now on through the land banks and not, as hitherto, through a separate organization of the land bank commissioner.

Milk Control Problems

Chicago milk agreement's flat price rouses chain stores' ire. Philadelphia plan checks overproduction.

THE chain stores are girding up for a battle royal with the milk distributors if the distribution model set up by the Chicago milk agreement is widely applied by the Agricultural Adjustment Administration. Under this agreement, stores selling bottled milk would be obliged to charge the same price as the distributing companies which deliver milk at the doorstep. This, according to chain store representatives, prevents the poor family from furnishing its own delivery, paying cash and returning the bottle, and thus saving from 3¢ to 4¢ a quart on an absolute necessity.

Maurice E. Goldberg of Boston, representing various consumer units and in Washington to fight the milk distributors, says that the average extra cost of the delivery companies over selling the bottle over the counter for cash is 3.42¢ a quart. He waxes indignant over compelling the buyer to pay for that delivery service, including bad debts, when the chain store is willing to sell to him with the extra cost eliminated.

Charles F. Adams, head of First National Stores, grimly silent when questioned, promises plenty of squawks if the decision goes again him, promises to name names and give facts and figures —and, says he, Department of Agriculture tie-ups—which will annoy the milk distributors.

Lessons of Experience

The Philadelphia milk marketing agreement, built on the experience that that the AAA gained in arguments with Chicago milk interests, avoids some of the questions that the chain stores and consumers have been asking. If a Philadelphia retailer can prove that he can sell at a lower distribution cost than the doorstep delivery systems, without cutting the producers' price, he may get permission to take the difference off his selling price.

This Philadelphia agreement is notable for other significant points in AAA marketing practice. After it goes into effect, new milk producers in the Philadelphia milk shed will have to get a certificate of necessity before dealers can buy from them without losing licenses—a little control device which the Administration expects to apply to other farm production problems.

To correct oversupply, Philadelphia producers will work on a "base" production scheme. The base period is built on the fact that cows, left to nature, give more milk in the spring than in the fall. That is to say that they will breed so as to drop their calves early in the spring, with the result that milk production, primarily a maternal function, rapidly rises during that period. The succeeding shrinkage late in the summer and during the fall is helped by the changing diet from green pasture to dry hay.

But milk consumption remains about the same all year so that production facilities built to take care of the demand the year round result in a huge spring surplus.

By staggering the breeding of the cows, by scientific feeding and care, and by supplying green feed, it is possible to shift the period of greatest milk production from spring to the fall. The Philadelphia plan rewards farmers for making such changes. The base price is the price paid to farmers for the total amount of milk produced during the fall period, and any surplus beyond that takes a lower figure. For example, a farmer whose herd produces 1,000 quarts a day during October, November, and December and 4,000 quarts during April, May, and June, will receive the base price for 1,000 quarts and a lower figure for the surplus 3,000.

More Beet Sugar

Domestic producers of beet sugar win larger quota in final draft of marketing plan. Cuba may get a lower tariff.

THE situation in the domestic sugar industry is sweetening just a little.

For weeks, all the great sugar interests supplying the American market have been working together at Washington on the quota problem. The market consumes a well-known total. It has been carefully checked for years. Production is far above this total, so prices have been low. Producers, after years of grief, have agreed that a quota system is the way out.

Beet sugar is produced in the Middle West. Cane comes from Louisiana, Puerto Rico, and Hawaii. The Philippines and Cuba also supply cane sugar. During and immediately after the war, Cuba was supplying more than 50% of

Soyuzphoto

SOVIET HARVEST—Just received from Russia, this photograph of the wheat harvest on a collective farm belies rumors of crop failure and starvation. But nobody knows where or when the picture was taken.

our sugar. Domestic production has not supplied more than 25% of the market for the last 15 years. Last year it touched 23%, while Cuba's portion of the market dropped to 30%. The balance came from the insular possessions.

Everyone except the Cuban cane producers and the United States beet producers was pretty well pleased when the latest quota list was read last week. Cubans wanted a larger quota, or a better tariff preference, or both. The Administration, with a determination to "do something" for the stepchild in the Caribbean, listened patiently. Beet growers wanted a larger quota, insisted that there be no curtailment of acreage so long as any sugar is imported. Beet growers represent a lot of farmers with an important voice in the hearings. When the report of the meeting was read, the beet growers were allowed an increase of nearly a quarter of a million tons in their quota, giving them a total of 1,750,000 tons out of a market expected to consume 6,575,000 tons—a larger share than in any previous year.

There will be another hearing soon, but it is not likely to cause any further change. If Cuba gets anything more, it will be in the form of a lower tariff on the present fixed quota. This is the opinion of sugar authorities who follow the hearings, anticipate results.

Wide World

TO CUBA—Jefferson Caffery, former minister to Colombia, recent Assistant Secretary of State in charge of Latin American affairs. He will take the place of Sumner Welles, American ambassador, called home after his peace-making mission to work with Secretary Hull on the coming Pan American Conference.

World Wheat

Australia, Argentina, Canada, and the United States ask agreement on 4 points to end chaos in wheat markets.

In the rush of traffic in London's busy Trafalgar Square early this week, few persons noticed who the frock-coated gentlemen were who were hurrying into Canada House. Another world conference was about to open. Thirty-one wheat-growing nations were represented. Included were the "Big 4"—Argentina, Australia, Canada, the United States.

Despite the tact of the chairman, hard-hitting Prime Minister Bennett of Canada, there was some embarrassment at the opening session. The "Big 4" had invited 27 nations, important in international wheat trade, to send delegates. Only 15 had done so, but when it became apparent that the meeting was going to be no fiasco despite the seeming futility of its predecessor—the World Economic Conference—home governments got in touch with their embassies in London, ordered "someone—anyone—to attend until an official delegate can reach London." That accounted for the fidgeting of at least a dozen worried "sitters-in" at the conference. They had not the slightest idea what they could offer from their governments. And none of them could commit himself on a single question.

There were no formalities. The "Big 4" are as tired of conferences as all the others. They know what they want. They asked just 4 things:

(1) Will your government promise not to encourage increased growing of wheat? (2) Will you lower prohibitive wheat tariffs as the world price of wheat rises? (3) Will you modify the milling restrictions which have helped to reduce the movement of world wheat to a fraction of its old total? (4) Will you encourage the consumption of wheat?

The "Big 4" have agreed among themselves to cut acreage and raise prices to a profitable level, but their agreement is contingent on the cooperation of the other important nations.

Despite the confidence of the principal conferees that the conference must be a success, developments during the week were not all encouraging. To the estimates of production and carryover which were released in London during the World Economic Conference this spring, must be added now a new surplus in the United States of 31 million bushels, in Canada of 21 millions. Europe reports a bumper wheat crop this year.

Two Nations Dump

Even while the conference was getting under way, French wheat—nearly 3 million bushels of it—were unloading at a Liverpool elevator. The price at which it was offered was just one-third the price the French miller is paying for his wheat. The subsidy which makes possible this dumping of an unexpected surplus is paid by French taxpayers.

At the same time, German freighters were unloading a German surplus at London, also at "dumped" prices. Neither France nor Germany is ordinarily a wheat-exporting nation, but subsidies to farmers for relief and to encourage national self-sufficiency have encouraged production to the point where it more than supplies domestic needs in a good crop year. Mussolini has encouraged wheat production by high tariff protection.

Even these countries are likely to listen to the advice of the "Big 4." It will be worth while to try to bring some order in the wheat world. A big wheat importer is likely to be a large exporter of some other important product or crop, and probably is trying to set up an international agreement for the marketing of that product. How far this cooperation will materialize will soon be known, for the present conference will not last long. Secretary Wallace has said there will be a prompt decision to cooperate or the United States will start dumping its wheat surplus at once. And Premier Bennett says: "It will be settled soon. I have already booked return passage for next Saturday."

Returned Goods

Retailers and wholesalers share equally in blame for return of merchandise by druggists.

Retailers complain of goods returned by customers. So do the wholesalers. The Commerce Department tried to find out who is to blame in the case of drugs returned by retailers to wholesalers. They place equal blame on the two parties. Almost exactly half of the "returns" were merchandise charged for but not delivered, wrong merchandise sent out, wrong size, merchandise broken or soiled before delivery, and errors in billing or pricing. The retailer created about an equal number of returns, principally because he over-ordered or sent back out-of-date merchandise.

The department implies that each party had better correct its practices.

Business Abroad

Austro-German tension creates grave situation involving major European powers. Extreme agricultural protection causes trouble in France. Employment increases in Germany fail to bring proportionate rise in production and trade. Strikes in many countries.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Every major country in Europe is concerned over the very grave situation in Austria. What the big powers—Italy, France, Great Britain—will do next is uncertain but they regard Germany as having flouted them.

One weekend, Berlin assured Italy that there would be no more attempts to interfere with Austria's internal affairs. Within 3 days there was a provocative dispatch from Munich. Berlin said this was due to the slowness of getting out the necessary instructions. Within 24 hours there was a hot provocative anti-Austrian communiqué through Wolff's news agency. A day later, there was another.

The attitude of the Powers is that Germany is breaking her pledge, made at Versailles, to honor the integrity of Austria and that she is breaking the 4-Power pact. Britain, who has been freely accused in Germany of precipitating the World War by not declaring her attitude early, is taking no chances this time and has made strong representations to Berlin, both singly and with France and Italy. These 3 powers have already shown practical evidence of their determination to support Austria. The new Austrian loan—of which the French and British portions are already issued—is one sign. The agreement to permit Austria to raise 8,000 anti-terrorist guards is another. Germany is asking for trouble in neglecting these signs. The next step will probably be an appeal to the League of Nations, followed by some organized economic boycott. So serious a view is taken in Britain of the probable disruption of German trade by these political adventurings that at least one big chain store has instructed its buyers to take immediate delivery of German toys for the Christmas trade.

France

Grain dealers and consumers threaten to strike if farm favoritism isn't curbed.

PARIS (*Wireless*)—Grain merchants and the wheat consuming public in France have risen in vigorous protest against the extreme favoritism which the government is showing the wheat farmer.

In July, France decreed a minimum price for wheat. This became necessary when the country, usually a wheat importer, found that several years of mountainous tariffs plus a bumper crop had produced an unexpected wheat surplus in France.

To relieve the pressure on the domestic market, the government further offered an export bounty so that French farmers could dispose of their surplus on foreign markets. Trouble has developed.

Grain Merchants Protest

One of the first effects of the new law, which really didn't get into full operation until Aug. 1, has been that wholesale dealers in wheat have been practically put out of business through the refusal of millers and other large buyers to pay more than the fixed minimum price for their wheat. They know they can get ample supplies direct from the farmer at that price if the middlemen refuse to sell as low. Grain merchants in one of the great wheat regions have already warned the government that they will pay no taxes if the injustice of the law is not corrected.

Price Frauds

A whole list of unfair trade practices has developed. The Minister of Agriculture has already circularized local prefects, calling their attention to new forms of fraud which have come into operation, and urging prompt repressive measures. The Minister stated that although the legal minimum price is intended to be exclusive of all commissions and transport charges, attempts are being made in many directions to evade the law by manipulating these charges in such a way as to bring down the selling price of the grain. In other cases, buyers, while respecting the law technically so far as wheat is concerned, are reported to be coupling their purchases with a right to buy parcels of other kinds of grain at rates below the market quotations. Holders of large stocks of wheat from the 1932 harvest are finding it impossible to get rid of their grain, and are urgently appealing to the government for aid.

Consumers voiced their protests loudly when they discovered they were paying almost 3 times the price for their wheat that it was commanding when exported, especially after they realized that this low export price was made possible through a government subsidy which came back to them in taxes, already unbearably high. It is small wonder that the wheat conference in London this week won little more than passing notice.

Through it all, business and the Bourse are calm and steady.

Great Britain

Tone good; prices firm. Wheat accord expected; rubber restriction suddenly postponed.

LONDON (*Cable*)—Business is seasonally quiet but the tone is good and the industrial markets are still optimistic. The anthracite coal strike has been settled. Rail traffic in July, as well as cable and wireless activity, was down, but was well above July, 1932.

London considers the current rumors that Cunard and White Star are to be merged are a little premature, though the announcement is expected by early fall (page 27). Really encouraging shipping news comes from Germany where it is definitely announced that foreign shipping companies are to receive equal treatment in Germany despite the rumors a week ago that they would not be allowed the transfer funds out of the country.

Wheat talks opened optimistically in Canada House early in the week (page 24). Importers are expected to comply with the very reasonable demands of the "Big 4" producers—Canada, Australia, Argentina, and the United States. Real worry is Russia and Germany. Germans are following a nationalistic policy and will not commit themselves yet. Russians agree to accept a relatively small quota in the world market but refuse to cut acreage.

No Rubber Restrictions

Mincing Lane rubber men in London were flatly disappointed by the rubber restriction announcement from Holland. After weeks of waiting, something more was expected than hope deferred. The negotiators evidently faced difficulties greater than had been anticipated. The prospect of a suitable scheme being framed now seems remote. Official quarters and responsible producers are both determined to oppose schemes for curtailing output, whether by estate quotas or export control, unless complete agreement is reached in all countries of production to enter the scheme, and unless some method of protecting consumers is also devised.

The negotiations have also been affected by the experience of the depression. It has now been amply demonstrated that rubber can be efficiently produced at costs far below anything

thought possible 4 years ago. With rubber at or about 6d, the well managed estates can show a good return. It is also certain that recent signs of rising consumption have affected the negotiators. The United States is consuming more, and both Russia and Japan have increased their imports.

Germany

Industrial gains not proportionate to gains in employment. Removal of automobile tax successful in stimulating sales and production.

BERLIN (*Cable*)—The striking gains in the number of men working in Germany at the end of July compared with even the mid-month figures are out of line completely with the very modest industrial gains which are reported. There is only one explanation, and this has been admitted by the Minister of Economy. Work has been shared. In some cases, hours have been reduced and more workers have been employed. The number of registered unemployed has declined because the men are no longer receiving state aid. Finally, the large number of young men who have gone into the Volunteer Labor Corps are no longer counted among the unemployed, but their purchasing power is little more than it was when they were without jobs. In all cases, purchasing power has been increased only a little. The whole lack of business optimism is reflected in sagging bond and stock prices.

There is no actual setback in business activity. Electrical consumption is up 7%. Hamburg freight traffic is down only slightly and Bremen reports 2% more business the first half of this year than a year ago. Iron and steel production is rising, but slowly.

Automobile Sales Up

The one Nazi economic measure which has been strikingly successful is the abolition of the tax on motor cars, planned to encourage consumption. When half-year reports were released, output jumped from 22,116 a year ago to 42,293 this spring; sales increased from 23,278 to 42,623.

Transfer machinery on interest payments due on Germany's foreign debt is coming into operation early in September. Half the amounts due will be transferred in foreign currencies. Scrip will be issued to cover the balance. Already it is expected that this scrip will sell at a 50% discount and will be sold freely to foreign importers of German goods. In this way, it amounts to a government subsidy on exports to counterbalance the depreciation of the currencies of competitors.

The continuing announcements of new tariff increases and the semi-official campaigns against foreign goods make the prospects for the American exporter to the German market pretty gloomy. Only sign of improving foreign trade relations is the signing of a new trade agreement with Yugoslavia, negotiated on a most-favored-nation basis.

Far East

Floods menace China. Better market for American automobiles in Japan.

FLOODS in the Yellow river valley continue to menace North China. Property and crop losses are heavy. Waters are again receding after reaching a new peak at the end of last week. Shantung is now affected, indicating that the flood waters are reaching the lower stretches of the river.

There is little change in industrial activity in Japan. Prices are rising slowly. Considerable activity exists in iron and steel, and textile mills. The automotive market, of special interest to Americans, has been stimulated by the advance in yen exchange in terms of American dollars. The yen, worth about 20¢ at the time of the banking holiday last March, is currently exchanging at slightly more than 27¢. The anticipated favorable effect on the sale of many other American products has been minimized by the advance in commodity prices in the United States.

Japan's silk industry is now represented in the United States by a mission of the most important silk interests in the country. It is their purpose to study the American market and attempt to find new uses for silk. An official cotton textile mission is already in India where trade negotiations are under way. Japan is asking a reduction in the duty on cotton goods. India is threatened with the loss of the Japanese market for raw cotton unless some concessions are made. Neither British nor Japanese interests are very hopeful of the outcome because of the pledges of the Indians under the British Empire accords. Britain has already made counter-offers to the Indians in the way of promises to use Indian raw cotton for a continuation of a privileged position in the Indian cotton goods markets.

Latin America

Dock strike settled in Havana. Cuba faces problem of interest payments on foreign debt. Mexico has its own recovery program.

CUBA is much quieter this week. Even Havana regained more of its old atmosphere of normalcy when the 3,000 dock strikers returned to work and ships, long riding at anchor because they were unable to move cargo, pulled up to wharves and delivered their merchandise. Striking stevedores won no in-

JAPAN'S SENATOR NORRIS—Gentleman with the long whiskers is 73-year-old Senator Gosuke Imai, venerable head of Japan's great silk industry, and guest of honor at all events of "silk day" at Chicago's Century of Progress. At home he is a life member of the Diet and is known as the doughty champion of the farmer, especially the cocoon raisers. At the left is Rufus Dawes.

crease in wages but they did win recognition of their union by the employing companies, the promise of a 44-hour week, and acceptance of a scheme for rotation of labor under a fixed schedule prepared by the employers and approved by the unions.

Cuba May Default

There is likely to be a good deal of unrest in Cuba for at least the next year. The present government, headed by De Cespedes, is accepted by the various parties of the opposition merely as the least objectionable during the year which should intervene until the next elections are due. In that time, those in charge are faced with the responsibility of meeting interest charges and amortization on more than $160 millions of bonded indebtedness with a treasury that is empty and a fiscal organization which is in a chaotic state. It is generally expected in financial circles that foreign obligations will be allowed to go into default while the country's finances are being reorganized. Americans will be fully warned of all new developments through the American ambassador, with whom the new government is cooperating closely.

With the announcement during the week of the increase in the quota which is being allowed to beet sugar producers in the United States, Cubans gave up all hope of winning a larger quota on the American market. Their hope for economic relief now is centered in the proposal that their greatly curtailed sugar quota be given better preferential treatment under the United States tariff.

Reports from Mexico continue to reflect gradual business improvement. Textile mills are expanding activity on increased demand at home and in Central America. One mining company in Vera Cruz has ordered placer gold dredging equipment from New York, the shipment to be rushed. Other mines in various states are allowing laborers to work marginal regions on a cooperative basis and are finding that a large number of jobless are being absorbed.

On Sept. 1, a foreign exchange clearing-house arrangement is expected to open in Mexico City under the auspices of the Bank of Mexico. There will be daily sessions, similar to the stock exchange sessions. All members of the Mexican Bankers Association and foreign branch banks will be allowed to send representatives who will present offers to buy and sell foreign exchange through a system of bidding.

Fuel Shift

Another experiment scheduled to start early in September is the project, fostered by fuel interests but handled by the government, to educate the public to the use of electricity, gasoline, or artificial charcoal in place of the universally used natural charcoal. Retailers carrying cooking and heating equipment are watching the plan closely for influences on their market.

Mexico is pursuing its own inflation course quite similar to the plan in the United States. The Minister of Economy has urged employers to raise wages in order to increase buying power. One state has responded by establishing a minimum wage for farm labor, the first example of Mexican farm workers receiving a minimum wage.

Ships in the News

Cunard-White Star merger reported imminent. May revive work on Cunard's "biggest." Italian Line captures transatlantic blue ribbon with speedy voyage of *Rex*.

GERMAN shipping had its fling at the headlines 3 years ago when the *Bremen* and *Europa* rushed into transatlantic fame by capturing the blue ribbon of the Atlantic for speed—held for more than 20 years by the *Mauretania* of the Cunard line.

Scarcely had these North German Lloyd liners won this victory when Lloyd, with Hamburg-American, set the pace in shipping competition by pooling services and schedules (*BW—Apr 2'30*). The project never developed into a genuine merger until Chancellor Hitler stepped into power in Berlin. Reorganization now is much more complete. Rival pride is going by the boards and is replaced by genuine economies.

Italy pushed into the limelight a year ago when all Italian shipping was rationalized by Mussolini. Competing lines in the North America service were put under central control and schedules of the 3 old lines were reorganized under the single direction of the Italian Line.

Then came the *Rex* and the *Conte di Savoia* seeking the cream of the luxury traffic to Europe for the southern route. Only last week the *Rex* raced across the Atlantic from Gibraltar in slightly more than 4 days, captured for the Mussolini fleet the blue ribbon which North German Lloyd has held. In "Steamship Row" in New York there is talk of friendly competition for the record from the *Savoia*.

The British lines pushed into the limelight this week with the rumor that the Chancellor of the Exchequer is about to announce the merging of the 2 great British shipping lines in the North Atlantic trade, Cunard and White Star. Almost simultaneous with the announcement, the British government is expected to back a public bond issue of £2½ millions to finance the completion of Cunard's great mystery ship—No. 534—still standing in the building stocks along the Clyde with only the hull completed.

Depression Pinches Both

The news is no surprise. Like all other shipping lines, Cunard and White Star have both felt the pinch of depression. Both have asked for aid in meeting the competition of government-subsidized vessels in the highly competitive North Atlantic service. White Star has just gone through a purging in the general "wash-up" of the Royal Mail Steam Packet Co. (a Lord Kylsant holding until he was found guilty of fraud), of which it is a part.

When the 2 companies first asked for government aid, they were warned that it would be given only after they had worked out a merger plan which would bring about healthy cooperation in place of the keen competition which they now offer each other. Both lines operate between Channel ports and New York. They have, together, some of the fastest vessels on the run. Cunard schedules the *Berengaria*, the *Aquitania*, and—when not in the special cruise service—the *Mauretania*. White Star features the *Majestic* and the *Olympic*, fills the new cabin class motor vessels—*Britannic* and *Georgic*—on each crossing.

Another "Greatest"

Cunard's new super-liner was planned before the depression. It was to cost more than $30 millions, was to gross 73,000 tons, and probably compete with the fastest liners in the service. Every modern marine luxury was to be included from air-conditioned public rooms to special arrangements for carrying automobiles. Only a few weeks ago King George dedicated the new drydock at Southampton built especially to accommodate the new giant, and a sister ship which was planned to maintain a weekly service between New York and Channel ports. There is no prospect that the second vessel will be built now, even under the merged management.

France is having financial difficulties with her great contender in the North Atlantic trade—the French Line—but with government aid is continuing construction of the *Normandie*, to be the largest vessel afloat, to compete in speed and luxury "with the best." The *Normandie* is progressing slowly, will probably schedule its maiden voyage as soon as there are signs of a genuine pickup in transatlantic passenger travel.

The Figures of the Week

Code formulation dampens production activity, but the path is clearing. Steel operations are lower. Public works finally appear to support the construction industry. Coal, electric power output are higher; so are carloadings.

WITH the 3 major industries of steel, oil, and lumber recently equipped with codes and others due to follow in short order, business is looking about to determine what effect the new system of housekeeping is likely to have on the old tenants. The uncertainty that has hovered over the commercial world in the past few weeks has tended to slow up general activity. Steel and textile plants have been especially hit by the difficulty of forecasting the trend of costs and prices. The lull that now hangs over some productive enterprises is expected to be of a temporary nature. September should see some revival of action as the new purchasing power makes itself felt beyond the counters of the country's retail markets.

Steel's trial code destined to correct abuses arising from unscrupulous competition provides a new arena for its activity that will undoubtedly have widespread effects. Motor concerns are certain to feel aggrieved at the price provisions that will interfere with the advantages so often secured through price concessions. The steel industry itself is a little disturbed at the necessity of filing prices of products in advance of the agreement in the coal industry. When that industry finally settles down to a new order, coal prices are bound to rise to higher levels. But the doubts that have renewed cautiousness in steel buyers are now in the process of being lifted—at least in so far as any weakness in the price level is concerned. What advances will be imposed during the fourth quarter under the 40-hours-a-week limitation remain to be seen, but some consumers are jumping at such bargain quotations as are still offered.

The drop in the steel production rate as estimated by Dow, Jones to 52% of capacity covers the week ending Aug. 21 when the code was still in the discussion stage, and reflects the bewilderment of consumers and producers in forecasting the probable train of events. The U. S. Steel Corp. fell back to 49% of capacity against 51% the preceding week; independents dropped to 53% from 58%.

Motor producers are finishing up on the 1933 line and steel companies may find a lag of some weeks before operations are tuned to proposed new models. September and part of October will still find the old models being assembled, for which steel purchased on existing contracts now occupies the industry. Brief shutdowns are anticipated before the introduction of 1934 lines, not looked for until late in the fall.

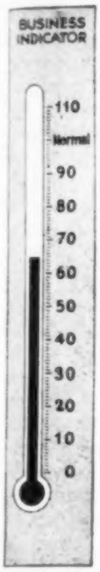
Equipment Buying Revives

Equipment buying appears to be reviving after a long period of dullness. Chevrolet is understood to have a substantial tooling job planned for 1934. For 4 consecutive months, the National Machine Tool Builders' Association has been cheered by the definite upturn in the index of machine tool orders.

Sheet and tin plate demand continues at a good rate though refrigerator manufacturers are naturally tapering their output. Sales of vacuum cleaners, washing machines and ranges thus far in 1933 have given ample evidence of

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1928-1932)*
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*64.8	†65.9	53.2	
PRODUCTION				
Steel Ingot Operation (% of capacity)	52	55	14	53
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,419	$3,368	$4,784	$15,171
Bituminous Coal (daily average, 1,000 tons)	*1,225	†1,228	779	1,283
Electric Power (millions K. W. H.)	1,650	1,627	1,432	1,610
TRADE				
Total Carloadings (daily average, 1,000 cars)	104	102	85	143
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	64	65	58	93
Check Payments (outside N. Y. City, millions)	$2,957	$2,548	$2,744	$4,539
Money in Circulation (daily average, millions)	$5,622	$5,623	$5,725	$4,937
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.84	$.94	$.47	$.81
Cotton (middling, New York, lb.)	$.093	$.091	$.078	$.128
Iron and Steel (STEEL, composite, ton)	$30.02	$30.02	$29.26	$32.97
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.052	$.111
All Commodities (Fisher's Index, 1926 = 100)	70.3	70.3	61.8	82.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,237	$2,219	$2,347	$1,469
Total Loans and investments, Federal Reserve reporting member banks (millions)	$16,708	$16,524	$16,492	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,788	$4,770	$5,385	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,795	$3,768	$4,042	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$894	$880	$344	$3,003
Stock Prices (average 100 stocks, Herald Tribune)	$101.65	$100.50	$87.86	$144.39
Bond Prices (Dow, Jones, average 40 bonds)	$87.92	$88.04	$82.12	$91.92
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	1%	1%	2%	4%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1½%	1½%	2-2¼%	3.7%
Business Failures (Dun and Bradstreet, number)	312	349	648	461

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For details of statistical methods, write the editor.

reviving consumer purchasing power. Pipe business is developing, and railroad purchases continue to be a good bet for the fall months. Only 1,391 freight cars were put in service on Class I roads during the first 7 months of 1933 compared with 2,251 in the not too prosperous year of 1932, and only one new locomotive took to the rails this year against 34 in the same period of 1932.

Public Works Appear

Public works contracts are becoming more important as the construction of buildings, residential and otherwise, is beginning to droop after the summer heat. In the first 13 business days of August, over $27.2 millions of public works and utility awards were arranged in 37 states. This is an increase of 176% over the daily average of July, but the very meager total of July exaggerates the percentage gain of the current period. To counterbalance excessive optimism, it must be added that the daily volume is still 12% below a year ago. The bulk of the projects fell in the New England, New York, and Pittsburgh districts.

Non-residential building awards reached a total of $18.2 millions, a 13% decline from the July daily average, and 23% under a year ago. Residential construction is drawing to a close its venturesome expansion for a dull year, getting only $10.9 millions of business to its credit during the first half of August. This is 11% less than the July daily average, but still nearly 9% better than last year. Meanwhile, building material costs have forged upward 16% from the February bottom.

Soft coal production during the week ending Aug. 12 again turned up following the sharp slump of the preceding week, lifting tonnage well above 7 millions. Hard coal production was but slightly higher. Employment in the Pennsylvania anthracite industry during July showed an 11% gain over June with payrolls slightly larger, a trend which only 4 out of the past 10 years have followed.

Power production resumed its seasonal upward trend during the week ending Aug. 19, aided by copper smelting operations in the Western states. Most of the regional divisions of the country showed a less favorable spread over a year ago, but the change was of minor significance. Utilities in New York City are now fighting a 6% reduction in rates ordered for Sept. 1, charging that the codification of industry is bound to increase operating expenses.

Coal and grain loadings were largely responsible for the gain in carloadings during the week ending Aug. 12, but miscellaneous freight shrank for the fourth consecutive week. Total loadings for the year are now only 0.6% behind the same period of 1932, having almost eliminated the spread that reached 20% in March.

Checks and Retail Trade

Check payments in New York City during the week ending Aug. 16 were 41% higher than in the preceding week, while outside of this financial center the usual midmonth gain was only 16%.

The first reports of August retail trade activity appear for the New York metropolitan district and indicate a 3% gain over last year, the first year-to-year gain in 26 months. The spread in January was as high as 23%, being rapidly pared down since the recovery of trade in April.

Cotton manufacturing activity in July took a sharp drop, following the feverish activity of June, when every effort was made to stock up goods in advance of the price-boosting effect of the proposed code. Spindle activity is rated at 117.5% capacity compared with 129.1% in June, the peak of this year. A year ago, the rate was but 51.5% of capacity. The Cotton Code went into effect on July 17, limiting hours of employment and of productive machinery. Cloth activity is now slowing down as the protest against processing taxes becomes more vehement. Moreover, some difficulty is being experienced in moving higher priced cotton in advance of a greater bulge in general purchasing power.

Commodities Strengthening

Commodities are recovering from the recent rough shocks, though some hesitation is noted in zinc and tin. Chemicals are swinging into line as the added costs imposed by the new régime are being felt. In the grain markets, opposition is growing to the 5¢ a bushel spread on wheat intended to allay wild gyrations in prices. Closing prices in the past few days have strengthened slightly. The wheat acreage control program is now commencing, the Department of Agriculture announcing enthusiastic reception of its plan long before it was formally begun. Another interesting effort to raise farmers' income is being initiated this week with the lowly hog as the center of attraction. The federal government proposes to buy 4 million pigs and 1 million sows at premium prices, thus enhancing the value of the current crop of eligible hogs. An 8.3% rise in food costs in the worker's budget during July has lifted the cost of living 3.3% over the June level.

The Financial Markets

Banking figures show continued deflation. A total of $10 billions in credit has disappeared in 6 months. Small banks are preparing for eligibility to the Deposit Insurance Corp. Earnings statements buoy up stocks. Governments support the bond list.

Money

WITH wheat markets definitely stronger, a crisis in the security and commodity markets has been averted. It is not improbable that if declines in wheat had continued after the pegs were removed, the Administration's hand would have been definitely forced on inflation at this time. The threat is not averted, but trends now indicate that little is to be feared in the commodity markets. September wheat, which closed at 84⅞¢ on Aug. 18, has recovered to 88-89¢.

Another danger, temporarily shifted into the background, was the continued strength of the dollar on foreign markets. Here, too, while fluctuations are still wide, the upward course of the dollar has been checked.

Securities which for some time have moved parallel to commodities and reciprocal to the dollar, have shown some independence from both. While wheat has been shifting sidewise, and the dollar has been firm, securities have made distinct advances.

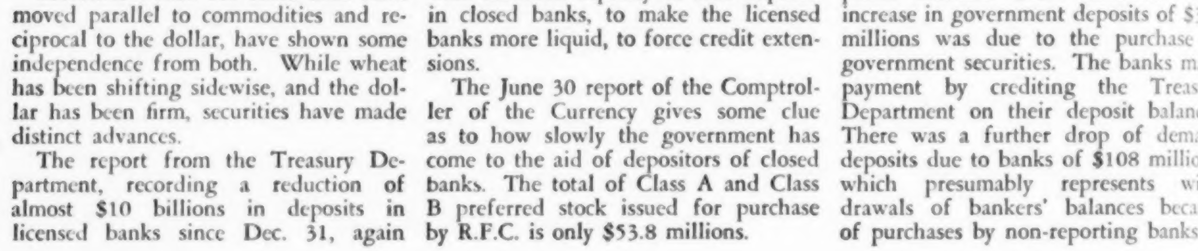
The report from the Treasury Department, recording a reduction of almost $10 billions in deposits in licensed banks since Dec. 31, again shows the tremendous obstacles against which the recovery program has been operating. NRA officials have become fully aware of the importance of releasing credit to finance business. Retail trades took occasion to outline their credit difficulties as they presented their codes. The hearings proved instructive in showing to what an extent recovery is hindered by the absence of credit facilities over large bankless areas and in demonstrating that, even where banks are available, they are almost inoperative as far as credit extension is concerned. General Johnson has shown characteristic irritation as the credit obstacles have been made plain to him, but his irritation did not go far enough to include censure of Administration policy and officials who are not moving with sufficient rapidity to free deposits in closed banks, to make the licensed banks more liquid, to force credit extensions.

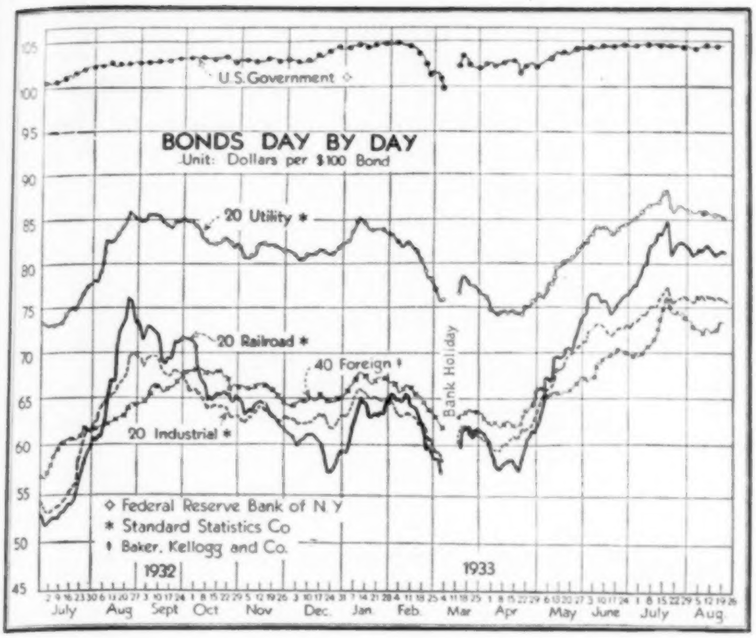
The June 30 report of the Comptroller of the Currency gives some clue as to how slowly the government has come to the aid of depositors of closed banks. The total of Class A and Class B preferred stock issued for purchase by R.F.C. is only $53.8 millions.

To what extent further deflation is going on in the national banks in consequence of the rigid examination and supervision to which they are now subjected because of the imminence of the deposit guarantee provisions in the new banking law, is not shown by the figure. There is no doubt that national banks are rapidly calling loans and liquidating doubtful assets in order to make themselves eligible for the Deposit Guarantee Corporation. Similar liquidation, no doubt, is going on in all state banks.

The first temporary phase of the deposit guarantee is scheduled by law to take effect Jan. 1. The corporation will then insure up to $2,500 of each deposit account in banks which have become members. From a recent survey, the Federal Reserve Board has estimated that the guarantee on the national banks alone will total $8,265 millions.

In the meantime, the condition of weekly reporting member banks in 90 leading cities shows an increase of $184 millions in loans and investments. This is the first important increase in many months, but $149 millions of it represented purchases of United States government securities. Net demand deposits declined $132 millions. The increase in government deposits of $323 millions was due to the purchase of government securities. The banks made payment by crediting the Treasury Department on their deposit balances. There was a further drop of demand deposits due to banks of $108 millions, which presumably represents withdrawals of bankers' balances because of purchases by non-reporting banks.





The increase in loans was $45 millions, of which $27 millions were loans made on securities, and only $18 millions advances to business.

The Federal Reserve statement does not show any tendency to counteract this definitely deflationary process. There has been an increase of $11 millions of government security purchases, and discounts to banks are $10 millions higher, but Treasury currency, adjusted, has declined $23 millions. Member banks reserve balances also have fallen $5 millions.

Against this deflationary news from the Federal Reserve and member banks, the velocity of such bank credit as is available is shown to be gaining, partly in response to business needs. After several weeks of declines, total bank clearings in 21 cities have turned up 8.9%, or an increase of $508 millions over the preceding week. Even here the picture is not so clear. In New York, the increase was 13.25% over the same week last year, but a large portion of that represents clearings in connection with the security and commodity markets. For the remaining cities the upturn is only 0.5%.

The total volume of outstanding acceptances on July 31 is reported at $730 millions, a gain of $52 millions over June 30. Not only is this a substantial midseason increase but it carries the grand total $34 millions above the amount outstanding a year ago.

Stocks

Stocks have been moving up in spite of the lethargy of commodities and the foreign strength of the dollar. In large measure the buoyancy of the stock market may be attributed to the continued excellence of earnings statements. The first 5 railroads to report earnings for July show a total net operating income of $7.7 millions against $2.8 millions in July, 1932, representing an increase of 170.9%.

Motor shares also are enjoying considerable strength based largely on the exceptionally heavy sales that continue to be reported for the month of August. The executive of one of the leading motor car companies now optimistically predicts a possible 4-million-car year for the industry. The utilities, because they are under attack in New York and in Pennsylvania, have remained weak. Such utilities earnings statements as have come to hand show higher profits for July than for June.

Bonds

The bond market has remained generally colorless. With utilities suffering some loss, high-grade issues have been steady, railroad bonds have declined. Industrials continued to move sidewise. The strength of United States government securities is still the outstanding feature of the bond market and is furnishing firm support for the list as a whole.

Leading foreign bonds are being subjected to pressure. German bonds are moving lower, French bonds also are slightly lower, and the strength of the 5½s United Kingdom bonds has been somewhat broken. The Latin American issues are making no headway. Cuban bonds particularly have declined sharply.

BUSINESS WEEK

The Journal of Business News and Interpretation

AUGUST 26, 1933

The Three-Legged Stool

"GOVERNMENT partnership with industry" moves swiftly toward becoming an accomplished fact. The great basic industries are working out agreements with a speed that is amazing in view of the real difficulties involved—the complexities of Twentieth Century industrial organization, and the venerable traditions, the ancient prejudices and suspicions, that have to be broken down.

This is greatly heartening. Already it has made more jobs at better pay. It is laying the foundation for a new and more civilized kind of life; we shall not build Utopia overnight, we shall make mistakes and pay for them, but we shall have a better business world.

But codes are only part of the recovery plan. From the outset, it was apparent that industry could not raise itself by its bootstraps. The employees of industry cannot buy all of their own output. The wages industry pays are an indispensable part, and the greatest part, of the nation's consuming power, but they are not all of it. The recovery program contemplates reinforcing them from two sides—by raising the income of the farm population, and by public works on a large scale. Public works have particularly an emergency aspect; they are to create the immediate buying power to help meet rising costs and increased production.

The agricultural administration, since it has to cope with world situations, and with the cosmic forces for that matter, has perhaps a harder job even than the NRA, but Wallace, Peek, and Brand seem to have all the punch and drive of the more picturesque General Johnson. Their job goes ahead, full steam.

In shocking contrast, virtually nothing has been accomplished in public works. The Recovery Act was signed in June. It provided $3 billions for federal, state, and city construction—not so vast a sum; it is about what was spent each year in the period 1927-1931.

The President said there was an ample volume of approved projects ready to go ahead at once, and offering a maximum of man hours of labor. Yet hardly a dollar has been spent.

The two horses of the NRA team were to pull business out of the Dismal Swamp. One has strained against the collar, the other has laid against the breeching.

General Johnson's organization not only has put a million and a half men back at work and raised wages; it also has given the country a new and hopeful spirit.

The Public Works Administration has employed hardly a man. The reasons are plain. First, the President for reasons best known to himself wiped out the original organization. There was dispiriting delay before a new one was created. In the end, public works were put under the direct supervision of Secretary Ickes—and when Mr. Ickes supervises, he supervises, down to personal study of every road map.

It seems to us Mr. Ickes is not the man for the emergency. He has approached the public works program with the determination that there shall be "no smell of pork," that there shall be no graft, that loans shall be sound. All this is highly commendable—to a certain point, or under normal conditions.

But these aren't normal conditions. There is a grim necessity that jobs be made—and quickly, unless we are to have grave social and economic disturbances this winter. Mr. Ickes is running a fire department on the principles of a good, sound bond house.

The situation is discouraging, and it may become tragic. It cannot much longer go on without grave risk. The recovery plan is a three-legged stool; we can balance precariously on two legs for a little while, but unless the third soon is driven into place, we shall have a nasty fall.

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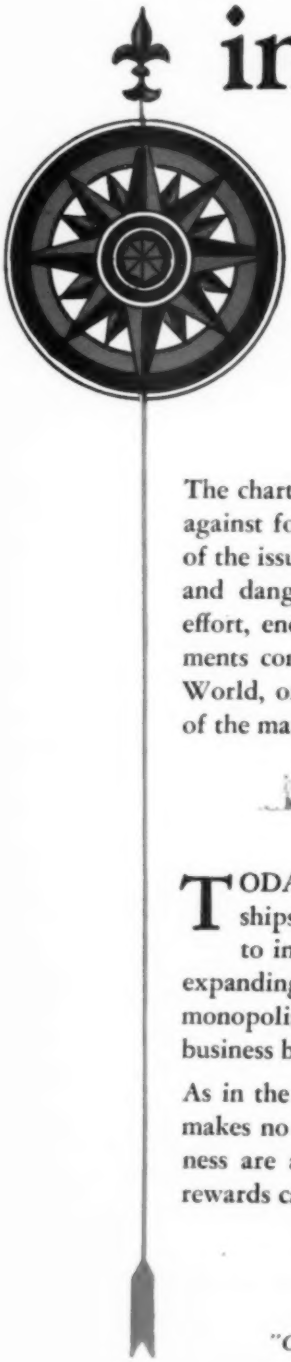
Charters to Trade in New Markets



THE voyages of XVIth century mariners opened vast new markets to the capital of Europe—new peoples, new products, new wealth.

Maritime governments were quick to recognize these sources of trade. They chartered companies of capitalists and adventurers to develop a commerce with these lands and peoples, to provide Europe with their goods.

The charters granted monopolies of trade, enforced by law and protected against foreign competition and piracy by the military and naval strength of the issuing governments. Yet capitalization of such charters was difficult and dangerous. Successful commerce resulted only from prodigies of effort, endurance and resourcefulness. Those entrepreneurs and governments content to sit back and wait for a flow of wealth from the New World, or who attempted to seize it by piracy or predatory exploitation of the market, were losers in the race.

TODAY the Government of the United States is making new partnerships with business men. Through the NRA it is granting charters to industry, to do business in the new markets created by the rapidly expanding purchasing power of the people. These charters are not monopolistic, but they contain safeguards against ruthless competition and business buccaneers.

As in the days of the East India and Hudson's Bay Companies, a charter makes no guarantee of profit or success. Enterprise, skill and aggressiveness are as necessary now as then. But the market is as rich, and the rewards can be as great.

BUSINESS WEEK

"Constructive selling competition will be as strong as ever and there will be great need for aggressive sales and advertising efforts."

GENERAL HUGH S. JOHNSON,
Administrator, NRA

NRA MEMBER U.S. WE DO OUR PART